



State of Tennessee
Health Services and Development Agency
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Date: February 12, 2016

To: HSDA Members

From: Melanie M. Hill, Executive Director

Re: CONSENT CALENDAR JUSTIFICATION

Williamson Medical Center, Franklin (Williamson County), TN - CN1512-067

For the acquisition of a 1.5 Tesla MRI unit to be operated under the license of Williamson Medical Center at its off-campus outpatient imaging department located at 4601 Carothers Parkway approximately 1,450 feet from the hospital's main campus at 4321 Carothers Parkway in Franklin (Williamson County), TN 37067. The estimated project cost is \$2,401,068.

As permitted by Statute and further explained by Agency Rule on the last page of this memo, I have placed this application on the consent calendar based upon my determination that the application appears to meet the established criteria for granting a certificate of need. If Agency Members determine that the criteria have been met, a member may move to approve the application by adopting the criteria set forth in this justification or develop another motion for approval that addresses each of the three criteria required for approval of a certificate of need. If you find one or more of the criteria have not been met, then a motion to deny is in order.

At the time the application entered the review cycle, it was not opposed. If the application is opposed prior to being heard, it will move to the bottom of the regular February agenda and the applicant will make a full presentation.

Summary—

Williamson Medical Center (WMC) seeks to acquire a 2nd 1.5 Tesla MRI unit and operate it at its off-campus outpatient imaging department located approximately 1,450 feet from the hospital's main campus at 4321 Carothers Parkway in Franklin (Williamson County), TN 37067. WMC is a 185-bed hospital. Since the cost of the MRI is less the 2 million dollars WMC could add the MRI on its campus without a CON. However, a CON is required in this instance because a CON is site specific and the off-campus location while very close is not part of WMC's campus.

Executive Director Justification -

Need- The need to add a 2nd MRI is justified based upon the current MRI operating with extended hours in 2015 at 161% of the optimal standard.

Economic Feasibility- The project will be funded by the cash reserves of Williamson Medical Center. The CFO provided a letter dated November 23, 2015 indicating that funding would be provided through the hospital and the hospital's financial statements demonstrate that funds are available.

Contribution to the Orderly Development of Health Care- The project does contribute to the orderly development of health care since the existing MRI is heavily utilized. This location will provide more convenient access to patients. The hospital contracts with all available TennCare MCOs and is a Medicare provider.

Statutory Citation -TCA 68-11-1608. Review of applications -- Report

(d) The executive director may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

Rules of the Health Services and Development Agency - 0720-10-.05 CONSENT CALENDAR

- (1) Each monthly meeting's agenda will be available for both a consent calendar and a regular calendar.
- (2) In order to be placed on the consent calendar, the application must not be opposed by anyone having legal standing to oppose the application, and the executive director must determine that the application appears to meet the established criteria for granting a certificate of need. Public notice of all applications intended to be placed on the consent calendar will be given.
- (3) As to all applications which are placed on the consent calendar, the reviewing agency shall file its official report with The Agency within thirty (30) days of the beginning of the applicable review cycle.
- (4) If opposition by anyone having legal standing to oppose the application is stated in writing prior to the application being formally considered by The Agency, it will be taken off the consent calendar and placed on the next regular agenda. Any member of The Agency may state opposition to the application being heard on the consent calendar, and if reasonable grounds for

such opposition are given, the application will be removed from the consent calendar and placed on the next regular agenda.

(a) For purposes of this rule, the “next regular agenda” means the next regular calendar to be considered at the same monthly meeting.

(5) Any application which remains on the consent calendar will be individually considered and voted upon by The Agency.

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
FEBRUARY 24, 2016
APPLICATION SUMMARY**

NAME OF PROJECT: Williamson County Hospital District dba Williamson Medical Center

PROJECT NUMBER: CN1512-067

ADDRESS: 4601 Carothers Parkway
Franklin (Williamson County), TN 37067

LEGAL OWNER: Williamson County
1320 West Main Street
Franklin (Williamson County), TN 37064

OPERATING ENTITY: NA

CONTACT PERSON: Julie Miller, Chief Operating Officer
(615) 435-5162

DATE FILED: December 15, 2015

PROJECT COST: \$2,401,468

FINANCING: Cash Reserves

REASON FOR FILING: Initiation of magnetic resonance imaging (MRI) services

DESCRIPTION:

Williamson County Hospital District dba Williamson Medical Center (WMC) a 185 licensed bed hospital located at 4321 Carothers Parkway in Franklin (Williamson County), Tennessee owned by Williamson County, was established by a Private Act of the Tennessee General Assembly in 1957. WMC seeks Certificate of Need approval to add a second 1.5 Tesla fixed MRI unit that will be operated under the hospital's license at an acquisition cost in excess of \$2 million. If approved, the unit will be operated on the first floor of WMC's 11,700 square foot outpatient imaging center approved in CN0706-015A that is located at 4601 Carothers Parkway in a freestanding building less than 500 yards from the main hospital building. The applicant plans to build out approximately 1,388 square feet of interior space on the 1st floor of the outpatient imaging center to house the proposed MRI unit, a control room and related

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support areas. The hospital's existing 1.5 Tesla unit approved in CN0104-022A will remain in operation at the main hospital building.

The project does not involve the initiation or discontinuation of any new or existing health care services or the addition or change to WMC's licensed bed complement. The applicant expects that the additional 1.5 Tesla Siemens MRI unit will be operational and open for public use in November 2016.

This application has been placed under **CONSENT CALENDAR REVIEW** in accordance with TCA §68-11-1608(d) and Agency Rule 0720-10-.05.

CRITERIA AND STANDARDS REVIEW

MAGNETIC RESONANCE IMAGING SERVICES

1. Utilization Standards for non-Specialty MRI Units.

- a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

WMC currently operates the 1.5 Tesla fixed MRI unit approved in CN0104-022A at the hospital Monday-Friday weekly from 5:30AM to 10:30 PM and weekends as needed. The applicant's MRI utilization increased by approximately 12.2% from 4,141 MRI procedures in 2013 to 4,658 procedures in 2015 (approximately 161% of the optimal 2,880 procedure/unit standard).

The projected utilization for the proposed additional MRI unit at the hospital's outpatient imaging center is 2,325 procedures in Year 1 (2017) and 2,450 procedures in Year 2. The applicant does not expect the proposed outpatient MRI unit to reach the 2,880 MRI procedure threshold until the 6th or 7th year of operation based on a 2% conservative growth assumption and shifting of outpatient MRI patient volumes from the existing hospital MRI unit to the proposed MRI at the outpatient imaging center over a 3 year transition period (2017-2019). Approximately 80% of outpatient MRI procedures will be performed at the outpatient imaging center in 2019.

For the hospital MRI service as a whole, the applicant projects a combined total of approximately 4,836 total MRI procedures in Year 1 of the project (2017) increasing by 2.0% to 4,933 total combined MRI procedures in Year 2.

It appears that this criterion has been partially met.

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c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

As noted, the applicant expects the new outpatient MRI unit to exceed the 2,120 MRI procedure standard in the first year of the project but not reach the 2,880 procedure standard until Year 6 or Year 7. Rationale for the exception includes the following: (1) a 2% annual conservative growth assumption, (2) shifting of outpatient volumes from the existing MRI unit in the main hospital building to the proposed unit at the imaging center, (3) MRI support for patients of the Breast Center located next to the outpatient imaging center area on the 1st floor, and (4) reduction or elimination of scheduling conflicts with emergency and inpatient cases.

It appears the applicant meets this criterion.

2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

The applicant's existing MRI unit is located at its main hospital campus and its primary service area (PSA) includes Williamson and Maury Counties. As noted in Item 2 of the December 23, 2015 supplemental response, residents of the 2 PSA counties accounted for 2,872 or approximately 68% of the applicant's 4,178 MRI procedures performed at the hospital in 2014. The proposed unit at the applicant's outpatient imaging center located less than 500 yards from the hospital is equally accessible to residents of the PSA. The applicant expects the proposed MRI unit will also be accessible to residents of other counties outside the PSA referred by their physicians. In addition to MRI, the outpatient imaging center offers multiple imaging services, is on the same floor as the breast center and is conveniently located by major traffic corridors such as I-65 and State Highway 96.

It appears that this criterion has been met.

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3. Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

The applicant considered acquiring a 2nd MRI unit and placing it into operation in the hospital without needing to file a CON application. However, the scenario to acquire a 2nd unit and operate it at the hospital's outpatient imaging center was selected due to several factors, including (1) WMC's significantly high MRI utilization above the 2,800 MRI standard for the most recent 4 year period, (2) advantages of operating an MRI unit in the hospital's nearby outpatient imaging center, (3) the need for a 2nd MRI unit to meet patient demands, and (4) benefits of providing breast imaging services for patients and their physicians of the Breast Health Center.

It appears that the applicant will meet this criterion.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: $1.20 \text{ procedures per hour} \times \text{twelve hours per day} \times 5 \text{ days per week} \times 50 \text{ weeks per year} = 3,600 \text{ procedures per year}$

As documented in the application and 12/23/15 Supplemental Response, a total of 10 fixed MRI units were operating in the 2-county TN primary service area (PSA) in 2014, excluding 1 mobile unit acquired by Premier Radiology in 2014 that has not been operational since 2012 (Horizon Mobile MRI, 87-CN-031A). If approved, this project would increase the inventory to 11 fixed units and 1 mobile MRI unit. The MRI utilization of the existing 10 fixed units in the PSA was 25,572 MRI procedures in 2014, a slight increase from 25,135 procedures in 2013. The combined utilization in 2014 calculates to approximately 2,557 MRI procedures per unit or approximately 88.8% of the 2,880 MRI utilization standard.

It appears that the applicant does not meet this criterion.

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7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

- a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

The applicant has provided documentation in the application confirming that the proposed 1.5 Tesla MRI meets FDA certification requirements.

It appears that this criterion has been met.

- b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The applicant has provided an October 23, 2015 letter from a licensed architect of HMK Architects, PLLC stating that the buildout of existing space for installation of the proposed MRI unit will conform to applicable codes and standards.

It appears that this criterion has been met.

- c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

The applicant states that WMC has protocols in place to address emergencies at its outpatient imaging center.

It appears that this criterion has been met.

- d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant notes that physicians, in lieu of the hospital, refer patients for MRI services who are responsible for making independent determinations of medical necessity.

It appears that this criterion has been met.

- e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth

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by the American College of Radiology, including staff education and training programs.

The applicant states that WMC's existing MRI service is accredited by the American College of Radiology and will continue to meet the staffing guidelines of the organization.

It appears that this criterion has been met.

- f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

The applicant states that it currently holds and will maintain accreditation by these organizations.

It appears that this criterion has been met.

- g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

The applicant states the outpatient imaging center operates under the license of the hospital and is subject to all hospital patient transfer protocols. As a reminder, the outpatient facility is approximately 500 yards from the main hospital building.

It appears that this criterion has been met.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

The applicant's existing hospital based MRI service has and will continue to submit data to the HSDA Equipment Registry within the expected time frame.

It appears that this criterion has been met.

9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

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- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration; or

Both counties are partial county medically underserved areas as designated by the Health Resources and Services Administration.

The applicant meets this criterion.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

WMC does not qualify as either a safety net or children's hospital.

This criterion is not applicable.

Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

The applicant contracts with all TennCare managed care organizations that operate in the service area.

It appears that the applicant meets this criterion.

- c. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

The applicant states that the use of the proposed additional 1.5 Tesla MRI unit will facilitate MRI images for breast scans and MRI-guided breast biopsies for patients requiring longer preparation and scanning times. The additional MRI capacity will also make it possible to schedule MRI cases for adult and pediatric patients that require deep sedation (approximately 2 hours in duration) leading to longer scanning times.

It appears that the criterion is not applicable.

SUMMARY

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

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The project includes the addition of a 2nd stationary MRI unit for the hospital's MRI service to be operated on the first floor of the hospital's existing outpatient imaging center approved in CN0706-015A in a freestanding 4 story building located at 4601 Carothers Parkway in Franklin near the main hospital campus. The project focuses on the acquisition, by purchase, of a GE Optima 1.5 Tesla unit and build out of approximately 1,388 square feet of space in the imaging center to house the unit and related support areas. The applicant believes the 2nd MRI unit is needed to provide additional capacity to meet high demand for MRI services in light of the existing MRI unit's averaging approximately 4,134 MRI procedures per year or 144% of the 2,880 MRI optimal utilization standard from 2012-2014. In addition, a 2nd unit will alleviate patient backlogs averaging approximately 2 days for the most recent 12-month period. An overview of the project is provided in the executive summary on pages 4-6 of the original application.

Ownership

- Williamson Medical Center is a not for profit hospital that was formed as the Williamson County Hospital District by a Private Act of the Tennessee General Assembly in 1957.
- The hospital is wholly owned by Williamson County and directed by a Board of Trustees appointed by the Williamson County Board of Commission.
- A copy of the Private Act was provided in the attachments. The documentation identifies the major mission and purpose of the hospital district and identifies the composition and responsibilities of the governing body.
- WMC has received several CONs to expand services and the hospital physical plant since calendar year 2000. Currently, WMC is nearing completion in early 2016 of CN1210-048A for its latest expansion of the hospital at a cost of approximately \$67.6 million. Please see description of this project at the end of the staff summary.

Facility Information

MRI Service

- WMC originally received approval in CN9110-065A to convert from a mobile to fixed MRI unit. Use of the 1.5 Tesla fixed unit was discontinued and the unit sold following approval of a replacement MRI unit in CN0104-022A.
- Originally located in a modular building adjacent to the main hospital, the replacement unit was moved into the hospital in 2007.
- Clarification of these CON approved MRI projects was provided in Supplemental 1. The applicant states that it never operated more than 1 MRI unit. Although unable to locate CN9110-065A, the applicant confirmed that the project for the conversion from a mobile to fixed MRI service was implemented as approved and CN9110-065A no longer exists as a matter of law (TCA Section 68-11-1607g).

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Outpatient Imaging Department

- MRI services are provided in the main hospital building. WMC's outpatient imaging center provides Computed Tomography, Ultrasound, Mammography, Bone Density, X-Ray, EKG and Steriotactic imaging services.
- The outpatient imaging center contains approximately 11,700 square feet (SF) of dedicated space on the first floor of a 4-story freestanding building at 4601 Carothers Parkway, approximately 500 yards from the main hospital campus. A private physician practice that owns and operates The Breast Health Center is also located on the first floor of the building. The remaining 3 floors are owned by unrelated parties and leased to physician offices.
- As clarified in Supplemental 1, WMC purchased the space for its outpatient imaging center in 2009 under a condominium arrangement.
- The hospital's additional MRI unit will require the buildout of approximately 1,388 SF of space in the imaging center at an estimated cost of \$409,554 (\$295/SF). The MRI area will contain an MRI room, equipment storage, a control room and a room designated for future use.
- A letter dated October 23, 2015 from a licensed architect of HMK Architects PLLC attests to the construction cost of the project and the design's conformance with applicable building standards and codes.
- The proposed MRI unit will expand current MRI services provided at the hospital. Approximately 80% of all MRI volumes are expected to be performed by the proposed unit at the outpatient imaging center by 2019.
- Patient reception, patient waiting and clinical support services will be provided through the outpatient imaging center. The proposed MRI unit at the outpatient center will operate from 7:00 AM-5:00 PM on Monday-Friday.

Whole Hospital

- Williamson Medical Center is currently licensed for 185 beds. The hospital has significantly expanded its service lines over the past 15 years and is currently in process of expanding surgical, pediatric and ED services approved in CN1210-048A. The applicant's current bed complement status is noted in the table below.

Applicant's Licensed Bed Complement

Bed Type	Licensed Beds	Staffed Beds
Medical	64	41
Surgical	59	34
Obstetrical/Gyn	25	20
Adult Critical Care	20	11
Neonatal Intensive Care	5	3
Pediatric	12	12
Total	185	121

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- Review of the Historical Data Chart revealed the hospital realized 88,623 adjusted patient days during the July 1, 2014 - June 30, 2015 fiscal year period, a 4.3% increase from 85,009 adjusted patient days in FY 2013 (note: adjusted patient days provides a snapshot of the hospital's utilization across all inpatient and outpatient service lines).
- As documented in the 2014 Joint Annual Report, WMC staffed all 185 licensed beds during the period. Based on 29,465 inpatient days, WMC had a licensed and staffed bed occupancy of 43.6% in 2014.

The following provides the Department of Health's definition of the two bed categories pertaining to occupancy information provided in the Joint Annual Reports:

- *Licensed Beds - The maximum number of beds authorized by the appropriate state licensing (certifying) agency or regulated by a federal agency. This figure is broken down into adult and pediatric beds and licensed bassinets (neonatal intensive or intermediate care bassinets).*
- *Staffed Beds - The total number of adult and pediatric beds set up, staffed and in use at the end of the reporting period. This number should be less than or equal to the number of licensed beds.*

Project Need

The applicant provides several reasons for the need of the project:

- The hospital's existing MRI unit is highly utilized. MRI volumes increased by approximately 2.4% from 4,082 procedures in 2012 to 4,178 procedures in 2014. The applicant estimates 4,648 MRI procedures in 2015.
- There is a need to providing expanded MRI support for hospital inpatients, including WMC's pediatric service recently expanded through CN1210-048A, through the transition of MRI outpatient volumes to WMC's outpatient imaging center.
- The proposed MRI unit will provide additional support to patients of the Breast Health Center and patients of other healthcare providers in Williamson County, such as patients of the new rehabilitation facility approved in HealthSouth Rehabilitation of Williamson County, CN1012-059A.
- Without the proposed unit, WMC's ability to meet physician demand, reduce patient backlogs, and transition outpatient volumes to its existing outpatient imaging center has the potential to negatively impact the care of patients served by the hospital.

Applicant's MRI Service Area:

Patient Origin - The applicant's MRI primary service area (PSA) includes Williamson and Maury Counties.

Utilization of MRI services by residents of the PSA is shown in the table below.

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Use of Applicant's MRI Service by Residents of 2-County PSA, 2014

Year	Total Resident Procedures In 2014	Resident Procedures Performed by WMC	Resident procedures Performed at other MRI Providers in PSA	Resident MRI Procedures Performed at MRI Providers Outside PSA
2014	28,043	2,872	12,917	12,254

Source: HSDA Equipment Registry, page 7, Supplemental 1

The table reflects the following:

- As a whole, residents of the PSA had 28,043 MRI procedures in 2014. Of this amount, approximately 10.2% of their total MRI procedures were performed at WMC.
- Use of MRI services outside the PSA (outmigration) appears to be significant. Outmigration calculates to approximately 43.7% of total resident MRI procedures in 2014.
- In 2014, resident utilization calculates to approximately 68% of the applicant's 4,178 total MRI volumes. As such, there appears to be reasonable potential for growth in the use of the hospital's MRI service by residents of the PSA, subject to approval of the CON application.

Service Area Demographics

- The total population of the 2-county primary service area (PSA) is estimated at 290,398 residents in calendar year (CY) 2015 increasing by approximately 7.9% to 312,155 residents in CY 2019.
- The overall Tennessee statewide population is projected to grow by 4.5% from CY 2015 to CY 2019.
- As a whole, individuals age 65 and older accounted for approximately 12.7% of the primary service area's total population in CY 2015 compared to 15.6% statewide.
- The number of residents of the PSA enrolled in the TennCare program increased by approximately 13.9% from 27,204 enrollees in January 2015 to 30,997 enrollees in December 2015 compared to 9.2% statewide.
- TennCare enrollees accounted for approximately 10.7% of the PSA population compared to 21.5% statewide in CY 2015.
- Residents of the PSA below the poverty level comprised approximately 10.6% of the total 2-county population compared to 17.6% statewide.

Service Area Provider Historical Utilization

The applicant used data from the HSDA Equipment Registry updated on 9/9/2015 to identify the inventory and utilization of MRI providers in the 2-county PSA. Key highlights include the following:

- There were 10 fixed units operated by 8 providers in the PSA in CY 2014. Of these, 2 units were operated by Premier Radiology of Cool Springs and 3 units by Maury Regional Medical Center.
- There was also 1 mobile unit that was not operational during the 2013 and 2014 HSDA Equipment Registry reporting periods.
- The combined utilization of the 10 existing MRI fixed units increased by approximately 1.9% from 25,095 total combined MRI procedures in 2012 to 25,572 procedures in 2014 (2,557/unit or 88.8% of the 2,880 MRI standard).
- Providers with the highest increases during the period were as follows: Spring Hill Imaging Center - 1,897 procedures in 2012 to 2,640 procedures in 2014 (39.2%); Mid-TN Bone & Joint Clinic - 1,909 procedures in 2012 to 2,259 procedures in 2014 (18.3%); and Cool Springs Imaging - 4,308 procedures in 2012 to 4,918 procedures in 2014 (14.2%).
- For a breakout of the inventory and utilization for each provider in the 2-county PSA, please see the table on page 7 of Supplemental 1

A summary of provider utilization is shown in the table below.

MRI Provider Summary, Applicant's 2-County PSA

County	#Units by Provider Type*	2012 Scans	2013 Scans*	2014 Scans*	% Change '12-'14
Williamson	1 H 3 ODC 1 PO	14,791	14,587	14,067	-4.9%
Maury	3 H 1 HODC 1 PO 1 Mobile RPO	10,304	10,548	11,505	11.7%
Total	10 fixed 1 mobile	25,095	25,135	25,572	1.9%

**Mobile MRI approved in 87-CN-031 was acquired by Premier Radiology in 2014 & was not operational during 2013 and 2014. Sources: HSDA Equipment Registry; page 7, Supplemental 1. Legend: H (hospital); HOPD (hospital outpatient department); ODC (outpatient diagnostic center); PO (private medical practice; RPO (radiologist physician office).*

Applicant's Historical and Projected Utilization

WMC's existing MRI unit is highly utilized, averaging approximately 4,133 MRI procedures or 143% of the 2,880 MRI utilization standard from 2012-2014. The applicant estimates MRI utilization of its existing hospital-based MRI unit will reach approximately 4,648 procedures in CY 2015, an 11.5% increase from CY 2014.

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Historical and projected utilization of the hospital's MRI service is shown in the table below.

Applicant's Historical & Projected MRI Utilization							
	2012	2013	2014	% change '12-'14	2015	Projected Year 1 (2016)	Projected Year 2 (2017)
# MRI Units	1	1	1	NA	1	2	2
WMC Total MRI Procedures	4,082	4,141	4,178	2.4%	4,648	4,836	4,933
as a % of 2,880 MRI standard	142%	144%	143%	NA	161%	84%	87%
MRI Procedures by Residents of 2-County PSA	2,726	3,089	2,872	5.4%			

Sources: HSDA Equipment Registry, Application page 20; Supplemental 1, page 7

The table reflects the following:

- The combined utilization is expected to fall below the 2,880 utilization standard up to the 6th or 7th year following project completion. The applicant's estimate is based on plans to shift approximately 80% of outpatient MRI volumes currently being performed by the hospital MRI unit to the proposed MRI unit at WMC's outpatient imaging center by 2019. The applicant also assumed conservative growth at the rate of approximately 2% per year following project completion.
- Use by residents of the 2-County MRI service area increased by approximately 5.4% during the period. As noted, residents of the PSA accounted for approximately 68% of the hospital's total MRI procedures in CY 2014.

Project Cost

The total estimated project cost is \$2,401,468. Major costs are:

- Construction Costs for buildout of 1,388 square foot area to house the proposed MRI unit with related support space - \$409,554 or 17.1% of total cost
- Major medical equipment (1.5 Tesla MRI unit)- Purchase cost of \$1,274,518 and 5-year maintenance cost of \$593,005 for a total of \$1,867,523 or 77.8% of the total cost
- Average total construction cost is expected to be \$295/SF and is slightly lower than the HSDA 3rd quartile cost of \$296.52/SF for hospital construction projects from 2012-2014 (as of June 1, 2015).
- For other details on Project Cost, see the Project Cost Chart on page 21 of the original application.

Historical Data Chart

- For the hospital as a whole, WMC reported favorable net operating income of \$7,079,872 or approximately 1.4% of total gross operating revenue in fiscal year (FY) 2014, from a net income loss of -\$1,674,845 in a 12.1% increase from FY 2013.

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- The applicant provided a Historical Data Chart for the hospital's MRI service in Exhibit F of Supplemental 1. Net operating income of the MRI service was favorable in each of the 3 most recent fiscal periods: \$2,741,500 in FY 2013, \$2,671,518 in FY 2014 and \$2,627,030 in FY 2015 (22.1% of gross operating revenue).

Projected Data Chart

The applicant provided a Projected Data Chart for the proposed additional MRI unit in the application. The applicant also provided the financial performance for the hospital's MRI service as a whole in Year 1 and Year 2 following project completion.

Key highlights of the MRI service's historical and projected financial performance are shown in the table below.

WMC's Historical and Projected Financial Performance, FY 2015-FY2018

Financial Measure	MRI Service 2015*	MRI Service Year 1 2017	MRI Service Year 2 2018
# MRI Units	1	2	2
MRI Procedures	4,522	4,836	4,993
Gross Operating Revenue	\$11,862,964	\$12,686,708	\$13,458,824
Average Gross Charge	\$2,623/scan	\$2,623/scan	\$2,728/scan
Net Operating Revenue	\$3,110,834	\$3,418,298	\$3,491,748
Operating Expenses	\$483,804	\$973,301	\$985,304
Net Operating Income	\$2,627,030	\$2,444,996	\$2,506,444
NOI as a % of Gross Operating Revenue	22.1%	19.3%	18.6%

Note: for the 12-month fiscal year period ending June 30, 2015

The table reflects the following:

- Net operating revenue after bad debt, charity care, and contractual adjustments amounts to approximately 19.3% of total gross operating revenue in FY 2017, from 22.1% in FY 2015.
- For additional information, please refer to page 24-R of the original application and page 3 of Supplemental 2 for the financial performance of the hospital's MRI service.

Charges

In Year 1 of the proposed project, the average gross charge is \$2,623/MRI procedure.

- The applicant's average gross charge falls between the median (\$2,229.43/procedure) and 3rd Quartile (\$3,677.84/procedure) of MRI charges reported through the HSDA Equipment Registry as of August 2015.
- After deductions for contractual adjustments, charity and bad debt, the average net charge is \$706.84/procedure.
- The applicant states that the MRI Department's historical and projected charges do not include professional fees for imaging interpretation services performed under agreement with the WMC by licensed radiologists of Advanced Diagnostic Imaging. These fees are billed separately by the physician practice.
- Representative samples of the WMC's fee schedule by CPT codes and a comparison to other MRI providers in Williamson County is shown on pages 26 and 27 of the application.

Payor Mix

- The applicant indicates it has contracts with all TennCare MCOs available to its service area population: United HealthCare Community Plan, Blue Care/TennCare Select, AmeriGroup and Premier Behavioral Health.
- The projected payor mix of the hospital's MRI service as a whole is shown in the table below.

Applicant's MRI Service Payor Mix, Year 1		
Payor Source	MRI Service Combined Gross Revenue Year 1	as a % of Gross Revenue Year 1
Medicare	\$5,201,550	41%
TennCare	\$329,854	3%
Managed care	\$2,182,114	17%
Commercial	\$4,529,155	36%
Self-Pay	\$253,724	2%
Other	\$190,301	1%
Total	\$12,686,708	100%

Financing

- The source of funding support for the project is cash reserves of WMC.
- A November 23, 2015 letter from Paul Bolin, Chief Financial Officer, is provided in the application that attests to the hospital's ability to financially support the project.
- Review of the applicant's audited financial statements revealed cash of \$17,413,706, current assets of \$42,613,803 and current liabilities of \$23,881,131 for a current ratio of 1.80 to 1.0.

Note to Agency Members: Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities, which measures the ability of an entity to cover its

WILLIAMSON MEDICAL CENTER

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current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Staffing

- If approved, the project will add an additional 2.0 full time equivalent MRI Technologists to support the hospital's proposed additional MRI unit in Year 1.
- As noted, MRI interpretation services are and will continue to be provided under contractual arrangement by licensed radiologists of Advanced Diagnostic Radiology.
- The applicant states no additional coverage is anticipated as a result of the project as 1 or 2 licensed radiologists are currently on site at WMC's outpatient imaging center.

Licensure/Accreditation

Williamson Medical Center holds an active license issued by the Tennessee Department of Health that expires on April 13, 2016. The hospital is accredited by The Joint Commission. A copy of the Joint Commission renewal award notice effective December 3, 2015 is included in the attachments to the original application.

The applicant has submitted the required corporate documentation, site control documents and copies of the MRI vendor's purchase quote (with addendum extending the quote to 3/31/2016) and service/maintenance agreement. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency office.

Should the Agency vote to approve this project, the CON would expire in three years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, denied or pending applications for this applicant.

Outstanding Certificates of Need

Williamson Medical Center, CN1210-048A has an outstanding Certificate of Need that will expire on March 1, 2016. The project was approved at the January 23, 2013 Agency meeting for the renovation and expansion of surgery and surgery support areas on the east side of the main hospital building and the construction of a three-story addition on the west side of the main hospital building for pediatric services and shelled space for future relocation of obstetrics services. The project includes (a) an increase of the hospital's operating room complement from 10 to 12 rooms with renovation to related support areas, including the post anesthesia care unit and the central sterile area, (b) a 3-story addition containing a dedicated pediatric emergency department on the 1st floor connected to the main hospital ED with 8 treatment rooms, shelled space on the 2nd floor for the future relocation of the hospital's

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obstetric service, and a 12 bed private room pediatric unit and an additional 4 pediatric observation beds connecting to an existing patient floor of the hospital. The project will not change the 185 licensed bed complement of the hospital. The estimated total project cost is **\$67,556,801.00**. *Project Status Update: WMC has submitted 2 Annual Project Reports (APR) since project approval, the most recent submitted on February 23, 2015. According to the 02/2015 APR, the surgery and pediatric additions city and state fire safety and building codes inspections were scheduled for final inspections in February-March 2015. The final phase for renovation of surgical facilities was expected to begin in April 2016 and be completed in February 2016. During HSDA staff review of CN1512-067, the applicant confirmed that the final phase is in progress and for completion in February 2016.*

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for other health care organizations proposing this type of service.

JG
(02/02/2016)

LETTER OF INTENT



State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243
www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the Tennessean which is a newspaper
(Name of Newspaper)
of general circulation in Davidson County, Tennessee, on or before December 10, 20 15,
(County) (Month / day) (Year)
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Williamson Medical Center, a hospital
(Name of Applicant) (Facility Type-Existing)

owned by: Williamson County, Tennessee with an ownership type of governmental through the Williamson County Hospital District, intends to file an application for a Certificate of Need to initiate magnetic resonance imaging services at its existing outpatient imaging center located at 4601 Carothers Parkway, Suite 150, Franklin, Tennessee. The outpatient imaging center is licensed and operated as a department of Williamson Medical Center. The total project cost, including renovations to accommodate magnetic resonance imaging equipment, is estimated to be \$2,401,468. The project does not involve the addition of beds or the initiation of any other service for which a certificate of need is required

The anticipated date of filing the application is: December 15, 20 15

The contact person for this project is Dan Elrod Attorney
(Contact Name) (Title)

who may be reached at: Butler Snow LLP 150 3rd Avenue South, Suite 1600
(Company Name) (Address)

Nashville TN 37201 615 / 651-6702
(City) (State) (Zip Code) (Area Code / Phone Number)

[Signature] 12/10/15 dan.elrod@butlersnow.com
(Signature) (Date) (E-mail Address)

The Letter of Intent must be **filed in triplicate** and **received between the first and the tenth day** of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Copy

Williamson
Medical Center

CN1512-067

1. **Name of Facility, Agency, or Institution**

Williamson County Hospital District d/b/a Williamson Medical Center
 Name
 Outpatient Imaging Center at 4601 Carothers Parkway
 Street or Route
 Williamson
 County
 Franklin
 City
 TN
 State
 37067
 Zip Code

2. **Contact Person Available for Responses to Questions**

Julie Miller
 Name
 Chief Operating Officer
 Title
 Williamson Medical Center
 Company Name
 jmiller@wmed.org
 Email address
 4321 Carothers Parkway
 Street or Route
 Franklin
 City
 TN
 State
 37067
 Zip Code
 Chief Operating Officer
 Association with Owner
 615-435-5162
 Phone Number
 615-435-7303
 Fax Number

3. **Owner of the Facility, Agency or Institution**

Williamson County, Tennessee
 Name
 615-790-5700
 Phone Number
 1320 West Main Street
 Street or Route
 Williamson
 County
 Franklin
 City
 TN
 State
 37064
 Zip Code

4. **Type of Ownership of Control (Check One)**

- | | | | |
|---------------------------------|-------|--|-------------|
| A. Sole Proprietorship | _____ | F. Government (State of TN or Political Subdivision) | _____X_____ |
| B. Partnership | _____ | G. Joint Venture | _____ |
| C. Limited Partnership | _____ | H. Limited Liability Company | _____ |
| D. Corporation (For Profit) | _____ | I. Other (Specify) | _____ |
| E. Corporation (Not-for-Profit) | _____ | | |

Private Act attached as
 Attachment A.4.

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
 REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

5. Name of Management/Operating Entity (If Applicable)

N/A

Name

Street or Route

County

City

State

Zip Code

6. Legal Interest in the Site of the Institution (Check One)

- | | | | |
|-------------------------|----------|--------------------|-------|
| A. Ownership | <u>X</u> | D. Option to Lease | _____ |
| B. Option to Purchase | _____ | E. Other (Specify) | _____ |
| C. Lease of _____ Years | _____ | | |

Deeds are attached as Attachment A.6.

7. Type of Institution (Check as appropriate--more than one response may apply)

- | | | | |
|--|----------|--|-------|
| A. Hospital (Specify) general acute care | <u>X</u> | I. Nursing Home | _____ |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty | _____ | J. Outpatient Diagnostic Center | _____ |
| C. ASTC, Single Specialty | _____ | K. Recuperation Center | _____ |
| D. Home Health Agency | _____ | L. Rehabilitation Facility | _____ |
| E. Hospice | _____ | M. Residential Hospice | _____ |
| F. Mental Health Hospital | _____ | N. Non-Residential Methadone Facility | _____ |
| G. Mental Health Residential Treatment Facility | _____ | O. Birthing Center | _____ |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) | _____ | P. Other Outpatient Facility (Specify) | _____ |
| | | Q. Other (Specify) | _____ |

8. Purpose of Review (Check as appropriate--more than one response may apply)

- | | | | |
|--|----------|---|-------|
| A. New Institution | _____ | G. Change in Bed Complement | _____ |
| B. Replacement/Existing Facility | _____ | [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] | |
| C. Modification/Existing Facility | _____ | | |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) | _____ | H. Change of Location | _____ |
| (Specify) <u>MRI</u> | <u>X</u> | I. Other (Specify) | _____ |
| E. Discontinuance of OB Services | _____ | | |
| F. Acquisition of Equipment | <u>X</u> | | |

9. **Bed Complement Data**

Please indicate current and proposed distribution and certification of facility beds.

		<u>Current Beds</u> <u>Licensed</u>	<u>*CON</u>	<u>Staffed</u> <u>Beds</u>	<u>Beds</u> <u>Proposed</u>	<u>TOTAL</u> <u>Beds at</u> <u>Completion</u>
A.	Medical	<u>64</u>	<u> </u>	<u>41</u>	<u> </u>	<u>64</u>
B.	Surgical	<u>59</u>	<u> </u>	<u>34</u>	<u> </u>	<u>59</u>
C.	Long-Term Care Hospital	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
D.	Obstetrical	<u>25</u>	<u> </u>	<u>20</u>	<u> </u>	<u>25</u>
E.	ICU/CCU	<u>20</u>	<u> </u>	<u>11</u>	<u> </u>	<u>20</u>
F.	Neonatal	<u>5</u>	<u> </u>	<u>3</u>	<u> </u>	<u>5</u>
G.	Pediatric	<u>12</u>	<u> </u>	<u>12</u>	<u> </u>	<u>12</u>
H.	Adult Psychiatric	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
I.	Geriatric Psychiatric	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
J.	Child/Adolescent Psychiatric	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
K.	Rehabilitation	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
L.	Nursing Facility (non-Medicaid Certified)	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
M.	Nursing Facility Level 1 (Medicaid only)	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
N.	Nursing Facility Level 2 (Medicare only)	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
O.	Nursing Facility Level 2	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(dually certified Medicaid/Medicare)	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
P.	ICF/MR	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Q.	Adult Chemical Dependency	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
R.	Child and Adolescent Chemical Dependency	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
S.	Swing Beds	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
T.	Mental Health Residential Treatment	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
U.	Residential Hospice	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	TOTAL	<u>185</u>	<u> </u>	<u>121</u>	<u> </u>	<u>185</u>

*CON-Beds approved but not yet in service

10. **Medicare Provider Number** 440029
Certification Type Hospital

11. **Medicaid Provider Number** 110029
Certification Type Hospital

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?** N/A

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.**

Yes. The applicant is contracted with AmeriGroup, United Healthcare, BlueCare/TennCare Select, and Premier Behavioral Health.

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

NOTE: *Section B* is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. *Section C* addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Ownership Structure. *Williamson County Hospital District d/b/a Williamson Medical Center ("WMC") was established by a Private Act of the Tennessee General Assembly in 1957. WMC is owned by Williamson County and is a 185-bed hospital located on Carothers Parkway in Franklin, TN. In 2008, WMC opened an outpatient imaging facility, known as Williamson Medical Center Outpatient Imaging, located approximately 1,450 feet from the northeast corner of WMC's main hospital campus in property owned by WMC. This facility is licensed and operated as a department of WMC.*

Proposed Services and Equipment:

Through this application, WMC seeks to purchase a second stationary, non-specialty Magnetic Resonance Imaging (MRI) unit to be placed at WMC Outpatient Imaging. WMC currently owns and operates one MRI unit within its main hospital building. The Applicant needs a second MRI unit to meet the needs of its patients for MRI services. The existing unit is heavily utilized, providing in excess of 4,000 MRI scans each of the last three years, and it is on track to provide about 4,650 scans in 2015. The addition of a second MRI will provide WMC with more MRI capacity so it can better serve its patients. Although this second MRI unit could be installed in the main hospital building without obtaining a certificate of need (WMC is already a provider of MRI services and the new MRI will cost less than \$2 million), WMC seeks to install the new MRI in its outpatient diagnostic imaging facility located close to the main hospital building, for reasons explained below.

Locating a second MRI in WMC's outpatient imaging facility, rather than within its main hospital building, will (1) enable WMC to provide its patients with easier access to MRI imaging services, and (2) better accommodate the need to provide MRI services more convenient to patients of WMC's Breast Health Center. As to the first point, the outpatient imaging facility has convenient surface parking adjacent to the building and the smaller structure is easier to navigate, particularly for elderly patients. In addition, the outpatient imaging facility is

dedicated to outpatient service, which eliminates the possibility that a scheduled outpatient MRI will be "bumped" by an emergency department patient or inpatient. As to the second point, WMC desires to place a second MRI unit in closer proximity to its Breast Health Center, which is adjacent to the imaging center. WMC plans to schedule breast MRI scans on the new MRI unit, which will complement the services of the Breast Health Center. In addition, the proposed MRI will be available for MRI-guided breast biopsies when requested by physicians. The high volume of procedures currently being performed on WMC's existing MRI, and the possibility that immediate access to an MRI may be required for emergency or inpatients, make it difficult to provide these services on the existing unit.

Staffing and Hours. *The additional clinical staff needed to operate the proposed new MRI will be two MRI technologists. The hours of operation for the outpatient imaging center are 7:00 AM to 5:00 PM, Monday through Friday.*

Service Area. *WMC considers Williamson and Maury counties as its primary service area for MRI services. Approximately 67% of MRI patients at WMC reside in Williamson or Maury counties. The remainder of WMC's MRI patients originate from multiple other Tennessee counties and out of state.*

Project Cost. *The estimated total cost of the project will be \$2,252,884.*

Funding and Financial Feasibility. *The project will be financed by cash reserves. A letter from the CFO of WMC is attached as Attachment C. Financial Feasibility 2.*

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

The Applicant proposes to purchase and place a second stationary, non-specialty MRI unit in its outpatient diagnostic imaging facility, located approximately 1,450 feet from WMC's main hospital building. The new MRI unit will require the build out of 1,388 square feet of interior space, (623 square feet for the MRI room and 715 square feet for equipment storage, a control room, an office and a room designated for future use).

Other than as described herein, no major renovations are necessary in order to install and operate an MRI unit at the imaging facility.

Necessary construction will entail building out previously unfinished interior shell space within the imaging facility and will include new metal stud framed walls, concrete floor slab, architectural woodwork, steel doors, drywall, interior finishes, specialty RF shielding and other similar work related specifically to the requirements of the MRI equipment, as well as mechanical, plumbing, electrical and fire protection systems. The construction for this project will cost \$409,554, which equates to \$295.00 per square foot.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

N/A.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
- X 13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

WMC needs a second MRI unit in order to meet the demand for MRI services it is currently experiencing with its existing unit. The existing MRI located at its main hospital campus provides in excess of 4,000 scans per year, which substantially exceeds the State Health Plan criteria of 2,880 scans per year. Further, locating an MRI adjacent to the Breast Health Center will facilitate the availability of the MRI for breast scans and biopsies.

Currently, the MRI schedule for WMC outpatients has a consistent backlog of two days, making it difficult to add those outpatients needing a study scheduled faster than the two-day wait time, as requested by their physicians. Scheduled outpatient MRI cases are at risk of being "bumped" by emergency department patients or inpatients, and WMC must constantly balance patients' medical statuses and urgency levels in order to have the more urgent studies performed as quickly as possible.

D. Describe the need to change location or replace an existing facility. *N/A*

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$2.0 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):
 - a. Describe the new equipment, including:

1. Total cost (As defined by Agency Rule);
 2. Expected useful life;
 3. List of clinical applications to be provided; and
 4. Documentation of FDA approval.
- b. Provide current and proposed schedules of operations.

The MRI unit WMC desires to purchase will cost a total of \$1,877,523, including a maintenance contract for years two through five (year one is covered by the manufacturer's warranty). The expected useful life is five years. The clinical applications to be provided include scans of the head, neck, spine, breast, abdomen, pelvis, joints, prostate, blood vessels, and musculoskeletal region of the body, as well as MRI-guided breast biopsies. Documentation of FDA approval is attached as Attachment B.II.E.1.

2. For mobile major medical equipment: N/A
 - a. List all sites that will be served;
 - b. Provide current and/or proposed schedule of operations;
 - c. Provide the lease or contract cost.
 - d. Provide the fair market value of the equipment; and
 - e. List the owner for the equipment.
3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

WMC will purchase the MRI unit at the quoted price of \$1,274,518.83. This quote is attached as Attachment B.II.E.3.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which **must include:**

1. Size of site (***in acres***);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

The plot plan is attached as Attachment B.III.A.

- (B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

WMC's diagnostic imaging facility relevant to this application is easily accessible via private vehicle and public transportation. It is located in Franklin, TN, just off of Highway 96 and I-65, approximately 1,450 feet from the main hospital building. The Franklin Transit Authority provides public bus transportation to WMC eleven times each weekday and ten times on Saturdays, with stops at both the main campus and the imaging center. Additionally, each of the seven surrounding counties offers specialized transportation for patients going to WMC.

- IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: **DO NOT SUBMIT BLUEPRINTS**. Simple line drawings should be submitted and need not be drawn to scale.

The floor plans are attached as Attachment B.IV.

- V. For a Home Health Agency or Hospice, identify: N/A

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.
 - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

The State Health Plan defines the following standards and criteria for purchasing a non-specialty stationary MRI unit:

1. Utilization Standards for non-Specialty MRI Units.

- a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

Response: The existing and projected MRI procedures provided at WMC support the need for a second MRI unit. WMC provided 4,082 MRI procedures in 2012, 4,141 procedures in 2013, 4,178 procedures in 2014, and is on track to provide approximately 4,648 MRI scans in 2015. WMC anticipates that it will provide 2,325 MRI scans on the new unit in Year 1, 2,450 MRI scans in Year 2, and 2,630 MRI scans in Year 3. These projections are based on conservative assumptions that MRI volumes will grow at 2% per year, that approximately 75% of outpatient MRI volumes will initially shift from WMC's main campus to the outpatient imaging center, and that by Year 3, 80% of outpatient MRIs will be performed at the imaging center.

- c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

Response: Assuming MRI volumes at WMC continue to grow at 2% per year, utilization of the proposed unit will likely not reach the threshold of 2,880 until the 6th or 7th year of operation. This is later than contemplated by the criteria, but WMC believes the criteria are otherwise satisfied because the new unit will facilitate ability to provide breast imaging services and the additional MRI capacity will reduce or eliminate scheduling conflicts with emergency and inpatient cases.

The proposed unit offers a necessary technology for the provision of healthcare services in the service area through the availability of the proposed MRI for breast imaging and breast biopsies for general use on hospital outpatients, thereby reducing scheduling conflicts with emergency department patients and inpatients.

2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

Response: WMC provides MRI services at its main campus, and its primary service area is composed of Williamson and Maury counties. The proposed location of the new MRI unit is approximately 1,450 feet from the main hospital building, and the new unit will be as accessible to the service area as the existing MRI.

Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

Response: WMC does not believe there are any realistic alternatives that will provide the same patient benefits and that would be more cost-effective than the purchase and installation of a new MRI in its existing outpatient imaging center.

3. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve-month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: $1.20 \text{ procedures per hour} \times \text{twelve hours per day} \times 5 \text{ days per week} \times 50 \text{ weeks per year} = 3,600 \text{ procedures per year}$

Mobile MRI Units: $\text{Twelve (12) procedures per day} \times \text{days per week in operation} \times 50 \text{ weeks per year}$. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

Based on the Agency's equipment registry, the combined average utilization of the 10 existing fixed MRI service providers in Maury and Williamson counties in 2014, was 2,551 per MRI unit, which is below 80% of the total capacity of 3,600 procedures, or 2,880 procedures. While the proposed MRI does not meet this service area need criteria, WMC believes approval is justified because (1) the additional unit could be added on its main campus without a certificate of need, but the outpatient imaging center location has patient advantages explained elsewhere in this application; (2) the existing MRI on WMC's main campus is heavily utilized, and WMC needs additional MRI capacity to meet patient demands; and (3) the additional MRI will facilitate the expanded availability of breast imaging services and complement the Breast Health Center.

4. Need Standards for Specialty MRI Units.

Response: N/A

5. Specialty Inventory for Specialty MRI Units and Non-Specialty MRI Units.

Response: N/A

6. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

- a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

Response: The FDA has certified that the proposed MRI unit is safe for clinical use. See Attachment B.II.E.1.

- b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

Response: The architect's letter at Attachment C. Economic Feasibility 1 verifies compliance with applicable codes.

- c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

Response: WMC has protocols in place to address emergencies at its outpatient imaging center.

- d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

Response: WMC does not refer patients for MRI services. Patients are referred by physicians who have made independent determinations of medical necessity.

- e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

Response: WMC's existing MRI service is accredited by the American College of Radiology ("ACR"), and the proposed MRI will meet the staffing recommendations of the ACR staff education and training programs, and it will likewise be accredited by ACR.

- f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

Response: The outpatient imaging facility is part of WMC, and WMC is accredited by the Joint Commission.

- g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

Response: The outpatient imaging center is a department of WMC, so a transfer agreement is not necessary.

- 7. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

Response: The Applicant assures that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

- 8. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care." the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;
- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or
- d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

Response: The Applicant requests that special consideration be given to this application based on the following: (1) its existing MRI unit is heavily utilized and WMC clearly needs more MRI capacity; (2) the proposed MRI could be installed at WMC's main campus without a certificate of need, but the outpatient imaging center location is better for patients; and (3) the proposed MRI will facilitate the expanded availability of an MRI for breast scans and for MRI-guided breast biopsies. In addition, the additional MRI capacity will make it possible for WMC to schedule MRI cases that involve deep sedation (which require 2 hours) and to serve pediatric patients, including those who may require sedation and thus more time. Finally, as previously noted, WMC is contracted with all TennCare plans in the area.

STATE HEALTH PLAN –
FIVE PRINCIPLES FOR ACHIEVING BETTER HEALTH

- Healthy Lives. The project will improve the health of patients because it will provide WMC outpatients with improved, more convenient access to health care services, and it will facilitate the availability of additional MRI imaging services such as breast imaging.
- Access to Care. The applicant participates in all TennCare MCOs that operate in the area. In addition, as a public hospital, WMC is committed to serve all patients regardless of ability to pay.
- Economic Efficiencies. This project makes efficient use of an existing outpatient imaging facility.
- Quality of Care. WMC is Joint Commission-accredited, and it has a strong history of providing excellent care to its patients.
- Health Care Workforce. While the imaging center is not a clinical training site, WMC otherwise works with numerous local schools to provide clinical training opportunities for students, including nursing, pharmacy, paramedic, and anesthesia students. WMC provides

competitive compensation to staff, and it does not anticipate any difficulty in recruiting and retaining staff for the proposed MRI.

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c).

Response: N/A

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

WMC's goal is to maintain modern facilities with high-quality services to meet the needs of its community. WMC is experiencing high demand for MRI procedures on its existing unit. It needs more MRI capacity to meet patient needs and to provide breast and other MRI services that require more time than routine MRI scans.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

WMC considers Williamson and Maury counties as its primary service area for MRI services. Approximately 67% of MRI patients at WMC reside in Williamson or Maury counties. The remainder of WMC's MRI patients originates from multiple other Tennessee counties and out of state.

A service area map is attached as Attachment C. Need 3.

4. A. Describe the demographics of the population to be served by this proposal.

	<i>Williamson County</i>	<i>Maury County</i>	<i>Service Area Total</i>	<i>State of TN Total</i>
<i>Total Population 2014</i>	202,923	82,280	285,203	6,588,698
<i>Total Population 2017</i>	218,093	82,991	301,084	6,772,022
<i>Total Population % Change</i>	7.48%	0.86%	5.56%	2.78%
<i>Target Population 2014*</i>	23,028	12,350	35,378	981,984
<i>Target Population 2017</i>	26,549	13,613	40,162	1,072,143

	<i>Williamson County</i>	<i>Maury County</i>	<i>Service Area Total</i>	<i>State of TN Total</i>
<i>Target Population % Change</i>	15.29%	10.23%	13.52%	9.18%
<i>Target Population 2017 as % of Total</i>	0.39%	0.20%	0.59%	15.83%
<i>Median Age</i>	37.9	38.4	38.15	37.6
<i>Median Household Income**</i>	\$89,779	\$45,336	\$67,557.5	\$44,298
<i>TennCare Enrollees 2014</i>	10,456	16,831	27,287	1,361,781
<i>TennCare Enrollees as percentage of total</i>	5.2%	20.5%	9.6%	20.7%
<i>Persons Below Poverty Level**</i>	11,566	12,671	30,089	1,159,610
<i>Persons Below Poverty Level as % of Total</i>	5.7%	15.4%	10.55%	17.6%

* Target population is the ages 65 and up.

** 2009-2013 Census data

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

WMC has a need for additional MRI capacity to meet patient demands. The proposed MRI at WMC's outpatient imaging center particularly addresses the special needs of women through use of the MRI to perform breast scans and MRI-guided breast biopsies. Although many breast biopsies are performed with the use of ultrasound or stereotactic biopsy equipment, there are instances when the area of interest cannot be visualized by any other imaging modality and must be performed by an MRI. These require longer scanning times, and it is very difficult to schedule them on WMC's existing MRI unit in the main hospital. Additionally the new MRI unit will serve low-income groups, as WMC is a contracted provider in all of the TennCare plans that operate in the area.

WMC has served the community for 58 years and will continue to meet community needs with the implementation of this project.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Other facilities offering MRI services in the service area can be seen in the chart below. There are no approved but unimplemented CONs for hospitals in the service area.

MRI Utilization 2012 – 2014

County	2012	2013	2014
Williamson	14,791	14,587	14,067
Cool Springs Imaging (1 MRI Unit)	4,308	4,552	4,918
Premier Radiology Cool Springs (2 MRI Units)	3,683	3,151	3,094
Vanderbilt Bone and Joint (1 MRI Unit)	2,728	2,743	1,877
Williamson Medical Center (1 MRI Unit)	4,082	4,141	4,178
Maury	10,304	10,548	11,505
Maury Regional Medical Center (3 MRI Units)	6,083	6,109	6,606
Mid Tennessee Bone and Joint Clinic, PC (1 MRI Unit)	1,909	2,047	2,259
Mobile MRI Medical Services, LLC – Columbia (1 MRI Unit)	(1-2/week) 415	(1-0/week) 0	(1-0/week) 0

County	2012	2013	2014
Spring Hill Imaging Center (Maury Regional Imaging Center) (1 MRI Unit)	1,897	2,392	2,640

Source: HSDA Equipment Registry. In the course of preparing this application, WMC realized that the volumes it had reported to the HSDA are incorrect. The chart contains the correct numbers for WMC, and WMC has been in touch with Agency staff to correct the Registry numbers.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

Year	Procedures
2012	4,082
2013	4,141
2014	4,178
2015 (through 11/30/2015, annualized)	4,648
2017 (Year 1)	4,836
2018 (Year 2)	4,933

MRI volumes at WMC increased approximately 14% from 2012 to 2015. For conservative planning purposes, the application assumes future growth of 2% per year. The projected utilization of the proposed MRI in Year 1 is based on the assumption that approximately 75% of the outpatient MRIs, historically performed at the main campus, will shift to the outpatient imaging center. The projected utilization in Year 2 assumes a 5% increase in volume based on the additional shift of outpatients from the main campus and the capability to perform the breast procedures described in this application. The projected MRI utilization at WMC's main campus and its outpatient imaging center in Years 1 and 2 is as follows:

Year	Main Campus	Imaging Center	Total
2017	2,511	2,325	4,836
2018	2,483	2,450	4,933

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
 - The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
 - The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
 - For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a contractor and/or architect that support the estimated construction costs.

A letter from the architect is attached as Attachment C. Economic Feasibility 1.

PROJECT COSTS CHART

A. Construction and equipment acquired by purchase:

1.	Architectural and Engineering Fees	\$ 45,000
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$ 30,000
3.	Acquisition of Site	\$
4.	Preparation of Site	\$
5.	Construction Costs	\$ 409,554
6.	Contingency Fund	\$ 20,500
7.	Fixed Equipment (Not included in Construction Contract)	\$ 1,867,523
8.	Moveable Equipment (List all equipment over \$50,000)	\$
9.	Other: Signage/Low Voltage	\$ 23,500

B. Acquisition by gift, donation, or lease:

1.	Facility (inclusive of building and land)	
2.	Building only	
3.	Land only	
4.	Equipment (Specify)	
5.	Other (Specify)	

C. Financing Costs and Fees:

1.	Interim Financing	\$
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	
4.	Other (Specify)	

D. Estimated Project Cost (A+B+C) \$ 2,396,077

E. CON Filing Fee \$ 5,391

F. Total Estimated Project Cost (D+E) \$ 2,401,468

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)

- ☐ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D. Grants--Notification of intent form for grant application or notice of grant award; or
- ☒ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☐ F. Other--Identify and document funding from all other sources.

A letter from WMC's CFO, Paul Bolin, is attached as Attachment C. Economic Feasibility 2.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

As stated in the letter from the architect, the construction cost of \$409,554 for the buildout of 1,388 square feet of interior shell space for the MRI room in WMC's diagnostic imaging facility, which equates to \$295 per square foot, is consistent with projects of a similar type and size. The HSDA lists for hospital renovation construction a median cost of \$192.46 per square foot and \$297.82 per square foot in the 3rd Quartile.

4. Complete Historical and Projected Data Charts on the following two pages--**Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the **Proposal Only** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

HISTORICAL DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in July.

	FY 2013	FY 2014	FY 2015
A. UTILIZATION DATA (Adjusted Patient Days)	85,009	82,629	88,623
B. REVENUE FROM SERVICES TO PATIENTS			
1 INPATIENT SERVICES	\$190,686,104	\$198,280,680	\$212,246,304
2 OUTPATIENT SERVICES	245,988,127	257,807,112	283,277,637
3 EMERGENCY SERVICES	23,419,364	24,085,332	27,501,804
4 OTHER OPERATING REVENUE	7,737,420	6,987,050	6,637,888
GROSS OPERATING REVENUE	\$467,831,015	\$487,160,174	\$529,663,633
C. DEDUCTIONS FROM GROSS OPERATING REVENUE			
1 CONTRACTUAL ADJUSTMENTS	289,053,990	306,955,122	338,130,709
2 PROVISION FOR CHARITY CARE	6,432,422	4,223,117	2,815,717
3 PROVISION FOR BAD DEBT	13,233,649	12,911,855	13,168,324
TOTAL DEDUCTIONS	308,720,061	324,090,094	354,114,750
NET OPERATING REVENUE	\$159,110,954	\$163,070,080	\$175,548,883
D. OPERATING EXPENSES			
1 SALARIES AND WAGES	77,218,614	81,792,907	80,059,672
2 PHYSICIANS SALARIES AND WAGES	3,009,146	2,407,906	4,001,531
3 SUPPLIES	35,282,027	37,051,851	38,643,707
4 TAXES	347,987	245,184	222,719
5 DEPRECIATION	10,974,240	10,663,948	10,682,804
6 RENT	545,348	524,074	216,817
7 INTEREST, OTHER THAN CAPITAL	1,406,941	1,238,211	1,270,928
8 MANAGEMENT FEES			
A. FEES TO AFFILIATES			70,000
B. FEES TO NON AFFILIATES			
9 OTHER EXPENSES	24,130,522	26,011,390	27,587,686
TOTAL OPERATING EXPENSES	\$152,914,825	\$159,935,471	\$162,755,864
E. OTHER REVENUE(EXPENSES)-NET	467,406	2,129,763	287,647
NET OPERATING INCOME(LOSS)	\$6,663,535	\$5,264,372	\$15,669,495
F. CAPITAL EXPENDITURES			
1 RETIREMENT OF PRINCIPAL	\$3,792,395	\$5,890,434	\$7,304,183
2 INTEREST	1,406,939	1,048,783	1,285,440
TOTAL CAPITAL EXPENDITURES	5,199,334	6,939,217	8,589,623
NET OPERATING INCOME(LOSS)			
LESS CAPITAL EXPENDITURES	\$1,464,201	-\$1,674,845	\$7,079,872

December 23, 2015**2:46 pm****PROJECTED DATA CHART**

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in July.

	YEAR 2017	YEAR 2018
A. UTILIZATION DATA -MRI PROCEDURES	2,325	2,450
B. REVENUE FROM SERVICES TO PATIENTS		
1 INPATIENT SERVICES		
2 OUTPATIENT SERVICES	\$6,099,379	\$6,684,395
3 EMERGENCY SERVICES		
4 OTHER OPERATING REVENUE		
GROSS OPERATING REVENUE	\$6,099,379	\$6,684,395
C. DEDUCTIONS FROM GROSS OPERATING REVENUE		
1 CONTRACTUAL ADJUSTMENTS	4,269,565	4,745,920
2 PROVISION FOR CHARITY CARE	32,836	35,986
3 PROVISION FOR BAD DEBT	153,565	168,294
TOTAL DEDUCTIONS	4,455,967	4,950,200
NET OPERATING REVENUE	\$1,643,412	\$1,734,195
D. OPERATING EXPENSES		
1 SALARIES AND WAGES	146,765	151,168
2 PHYSICIANS SALARIES AND WAGES		
3 SUPPLIES	24,679	27,307
4 TAXES		
5 DEPRECIATION	310,000	310,000
6 RENT		
7 INTEREST, OTHER THAN CAPITAL		
8 MANAGEMENT FEES		
A. FEES TO AFFILIATES		
B. FEES TO NON AFFILIATES		
9 OTHER EXPENSES		148,251
TOTAL OPERATING EXPENSES	\$481,444	\$636,725
E. OTHER REVENUE(EXPENSES)-NET		
NET OPERATING INCOME(LOSS)	\$1,161,968	\$1,097,469
F. CAPITAL EXPENDITURES		
1 RETIREMENT OF PRINCIPAL		
2 INTEREST		
TOTAL CAPITAL EXPENDITURES	0	0
NET OPERATING INCOME(LOSS)		
LESS CAPITAL EXPENDITURES	\$1,161,968	\$1,097,469

December 23, 2015**2:46 pm****Historical Data – Other Expenses**

	Year 2013	Year 2014	Year 2015
1. Professional Fees	\$1,638,942	\$1,561,313	\$2,021,367
2. Utilities	\$2,343,271	\$2,394,308	\$2,534,923
3. Purchased Services	\$6,653,848	\$7,225,517	\$7,820,825
4. Repair of Equipment	\$4,554,031	\$4,867,606	\$5,225,593
5. Insurance	\$1,148,019	\$1,190,984	\$1,171,567
6. Books, Dues Fees	\$568,366	\$516,326	\$571,781
7. Education and Travel	\$174,581	\$193,018	\$236,696
8. Equipment Leases	\$1,859,344	\$1,865,107	\$1,580,856
9. Collection Fees	\$1,190,430	\$1,250,576	\$1,378,885
10. Advertising	\$874,713	\$935,106	\$938,338
11. Minor Equipment	\$385,535	\$504,029	\$515,694
12. Other Miscellaneous	\$2,739,442	\$3,507,500	\$3,591,161
Total	\$24,130,522	\$26,011,390	\$27,587,686

Projected Data – Other Expenses

	Year 2017	Year 2018
1. Professional Fees	N/A	N/A
2. Other Expenses	N/A	N/A
3. Utilities	N/A	N/A
4. Purchased Services	N/A	N/A
5. Repair of Equipment (Service Contracts)	Warranty	\$148,251
6. Management Fees	N/A	N/A
7. Insurance	N/A	N/A
8. Books Dues Fees	N/A	N/A
9. Education and Travel	N/A	N/A
10. Staffing Services Agreement	N/A	N/A
Total		\$148,251

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5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

The average gross charge for MRIs at WMC in 2017 is projected to be \$2,623, the average deduction will be \$1,916 and the average net reimbursement will be \$707.

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

The current gross charges, average deduction and average reimbursement deductions for the five most commonly performed MRI scans are seen in the below chart. There will be no increases in charges as a result of the proposed project.

	Average Gross Charge	Average Deduction	Average Net Charge	Medicare Allowable
MRI Lumbar, Spine w/o Cont	\$2,270	\$1,758	\$512	\$156
MRI Brain Scan w/wo Contra	\$3,513	\$2,742	\$771	\$262
MRI Cervical, Spine w/o Cont	\$2,270	\$1,718	\$489	\$147
MRI Brain Scan – w/o Cont	\$2,270	\$1,753	\$517	\$149
MRI Lumbar Spine w/wo Contra	\$3,513	\$2,811	\$702	\$263

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Average Gross Charge

WMC	Premier Radiology, Cool Springs	Cool Springs Imaging	Vanderbilt Bone and Joint
\$2,623	\$1,943	\$1695	\$1669

See above chart in Question 6 for the Medicare allowable fee schedule.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

The proposed MRI unit will be well-utilized, and acquisition of it will have no effect on patient charges.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

WMC has sufficient cash flow to operate the proposed MRI until it achieves positive financial results in the 1st Year, as indicated in the Projected Data Chart.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

The facility has historically participated in both Medicare and Medicaid. WMC is contracted with AmeriGroup, United Healthcare, and BlueCare/TennCare Select.

The estimated revenues in the first year are as follows:

TennCare: \$164,683, 2.7% of total revenues

Medicare: \$2,506,845, 41.1% of total revenues.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

The audited financial statement for June 30, 2015 and 2014 are attached as Attachment C. Economic Feasibility 10.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

In view of the high and increasing demand of WMC's existing MRI, there is no practical alternative to purchasing a second MRI unit, as described in this application. Maintaining the single MRI is not an acceptable alternative because it would compromise WMC's ability to meet the future needs of the community. As previously discussed, WMC could purchase an MRI unit to place within its main hospital building without a CON because WMC already provides MRI services and the MRI unit will cost less than \$2 million; however, in view of the reasons to locate an MRI closer to the Breast Health Center and the patient care advantage discussed previously, locating a new MRI in WMC's diagnostic imaging facility, close to WMC's main campus, is the best alternative for patients.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Rather than constructing a new building, the project will make efficient use of an existing facility.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

A list of relevant relationships is attached as Attachment C. Orderly Development 1.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

This project will only have a positive impact on the health care system. The demand for MRI services at WMC is high and continues to increase, and there is a clear need for a second MRI unit. As previously discussed, WMC could obtain a second MRI unit without a CON if it were purchasing the unit for its main hospital campus. WMC's decision to

place the unit at its outpatient imaging facility is based on its determination that the location will provide patients with better access to MRI services. Additionally, locating an MRI unit adjacent to WMC's Breast Health Center will complement the services there and facilitate the availability of breast imaging and MRI-guided breast biopsies. Lastly, a second MRI will make it possible to schedule non-routine MRI scans, such as sedation cases, that require extensive time. The addition of an MRI at WMC will not have a material effect on other providers, but will enable WMC to better serve patients who seek services at its facilities.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

The addition of a second MRI unit will add two (2) FTEs as follows.

Job Title	FTE	Annual Salary	Dept. of Labor Annual Median
MRI Technologist	2	\$58,240	\$50,688
Total	2	\$116,480	\$101,376

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

WMC has a history of successfully recruiting and retaining staff. Qualified professional staff are available in the area.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

The applicant is familiar with and understands all licensing and certification requirements of the State of Tennessee.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

WMC works with numerous local schools to provide clinical training opportunities for students, including nursing, pharmacy, paramedic, and anesthesia students.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

The applicant has reviewed and understands the licensure requirements of all the relevant state and federal agencies.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: *Tennessee Department of Health*

Accreditation: *The Joint Commission*

- (c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

WMC is currently licensed by the Tennessee Department of Health and accredited by the Joint Commission. The current license is attached as Attachment C. Orderly Development 7(c).

- (d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

The most recent survey is attached as Attachment C. Orderly Development 7(d).

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

WMC is unaware of any such final orders of judgment.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

WMC is unaware of any such civil or criminal judgments.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

The Applicant will provide all required information to state and federal agencies.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

53
AFFIDAVIT OF PUBLICATION

0000907474

0000907474

Newspaper The Tennessean

State of Tennessee

Account Number NAS-540358

Advertiser BUTLER, SNOW, O'MARA, STEVENS

BUTLER, SNOW, O'MARA, STEVENS
150 3RD AVE S
NASHVILLE, TN 37201

**TEAR SHEET
ATTACHED**

V Perry

Sales Assistant for the above mentioned newspaper,

hereby certify that the attached advertisement appeared in said newspaper on the following dates:

✓
12/10/15

V Perry

Subscribed and sworn to before me this 10 day of Dec, 2015

Donna Walker

Notary Public



MY COMMISSION EXPIRES:
MAY 08, 2017

for WILSON County, Tennessee and to J. PHILLIP JONES AND/OR JESSICA D. BINKLEY, either of whom may act, appointed as Substitute Trustee in an instrument

Continued to next column

ANY, ANY PRIOR LIENS OR ENCUMBRANCES, LEASES, EASEMENTS AND ALL OTHER MATTERS WHICH TAKE PRIORITY OVER THE DEED OF TRUST UNDER WHICH

Continued to next column

Public Notices

0000917791

SAK Construction, LLC is seeking MWBE businesses for the City of Chattanooga, Project: Rehabilitation of Dobbs Branch 3 Sub-Basin, Project No. W-12-028-201. The Project bids: January 12th, 2016 1:00 pm CST 3:00pm EST. Pre-Bid Conference: December 17, 2015 9:00 CST 10:00 EST. Subcontractor opportunities are in the following areas: Sewer Cleaning and CCTV; Bypass Pumping; Erosion Control; Sanitary Service Renewals by Excavation; Sanitary Sewer Point Repairs by Excavation; Sanitary Service Renewals by Trenchless Lining; Sanitary Sewer Point Repairs by Trenchless Means; Asphalt and Concrete Surface Restoration; Cementitious and Epoxy Manhole Rehabs; Manhole Casting Replacements and Adjustments; Traffic Control. Plans and specifications may be downloaded from the isupplier.nashville.gov website. Please contact Terry Adderhold at bidcippe@sakcon.com with questions.

0000904987

SIXTH CIRCUIT JUDICIAL COUNCIL Office of the Circuit Executive FOR IMMEDIATE RELEASE

Pursuant to the Bankruptcy Amendments and Federal Judgeship Act of 1984, P.L. 98-353, the Regulations of the Judicial Conference of the United States for the Selection of United States Bankruptcy Judge Nominees, and the Procedures of the Sixth Circuit Judicial Council for the Selection of Bankruptcy Judge Nominees, the Sixth Circuit Judicial Council received applications from persons interested in appointment to the bankruptcy judge position in the Middle District of Tennessee, vice Keith M. Lundin.

A Merit Selection Panel considered all applications received and recommended the following six candidates to the Sixth Circuit Judicial Council for consideration for appointment to the bankruptcy judge vacancy:

Natalie M. Cox	Wilmington, Delaware
Paul G. Jennings	Nashville, Tennessee
Nancy B. King	Nashville, Tennessee
William L. Norton, III	Nashville, Tennessee
M. Kimberly Stagg	Nashville, Tennessee
Charles M. Walker	Nashville, Tennessee

The Sixth Circuit Judicial Council must narrow the list to three recommended candidates for this position. Under the Act, the final selection of a person for appointment as bankruptcy judge will be made by the United States Court of Appeals for the Sixth Circuit.

Any person may now submit written comments for consideration by the Judicial Council and the Court of Appeals regarding the qualifications of the above-six final nominees. Such written comments must be received in the Office of the Circuit Executive, 503 Potter Stewart United States Courthouse, 100 East Fifth Street, Cincinnati, Ohio 45202, no later than December 21, 2015.

Please contact Clarence Maddox, Circuit Executive, (513) 564-7200 for further information.

Date of Issuance: December 6, 2015

0000907474

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1001 et seq., and the Rules of the Health Services and Development Agency, that: Williamson Medical Center, a hospital owned by: Williamson County, Tennessee with an ownership type of governmental through the Williamson County Hospital District, intends to file an application for a Certificate of Need to initiate magnetic resonance imaging services at its existing outpatient imaging center located at 4601 Carothers Parkway, Suite 150, Franklin, Tennessee. The outpatient imaging center is licensed and operated as a department of Williamson Medical Center. The total project cost, including renovations to accommodate magnetic resonance imaging equipment, is estimated to be \$2,401,468. The project does not involve the addition of beds or the initiation of any other service for which a certificate of need is required.

The anticipated date of filing the application is: December 15, 2015.

The contact person for this project is Dan Elrod, Attorney, who may be reached at: Butler Snow LLP, 150 3rd Avenue South, Suite 1600, Nashville TN 37201, 615/651-6702.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, 9th floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

MORTGAGE ELECTRONIC REGISTRATION SYSTEMS INC. AS NOMINEE FOR SWBC MORTGAGE CORPORATION, EXISTING UNDER THE LAWS OF THE STATE OF TEXAS, 9311 SAN PEDRO AVENUE, SUITE 100, SAN ANTONIO, TX 78216, in the Register's Office for MONTGOMERY County, Tennessee, and to J. PHILLIP JONES AND/OR JESSICA D. BINKLEY, either of whom may act, appointed as Substitute Trustee in an instrument of record in the Register's Office for MONTGOMERY County, Tennessee, to secure the indebtedness described WHEREAS, said Deed of Trust was last assigned to TENNESSEE HOUSING DEVELOPMENT AGENCY, its entire indebtedness having been declared due and payable by TENNESSEE HOUSING DEVELOPMENT AGENCY BY AND THROUGH ITS SERVICER AND AUTHORIZED AGENT, U.S. BANK NATIONAL ASSOCIATION, being the present owner/holder authorized agent, designee servicer of the holder/owner said indebtedness, has requested foreclosure proceedings be instituted; and as provided in said Deed of Trust, I, PHILLIP JONES/JESSICA BINKLEY, will by virtue of power and authority vested in me as Substitute Trustee, THURSDAY, JANUARY 2016 AT 10:00 A.M., AT THE FRONT DOOR OF THE MONTGOMERY COUNTY COURTHOUSE, MILLENIUM PLAZA, CLARKSVILLE MONTGOMERY COUNTY TENNESSEE, sell to the highest bidder for cash, free from the equity of redemption, homestead, and dower, and other exemptions which are presently waived, and subject to any unpaid taxes, if any, following described property MONTGOMERY County Tennessee, to wit: PROPERTY LOCATED IN THE COUNTY OF MONTGOMERY TENNESSEE: BEING REAL ESTATE SITUATED IN MONTGOMERY COUNTY, TENNESSEE, DESCRIBED AS FOLLOWS, WIT: BEING LOT NO. 126, ON THE PLAN OF WHITE T RIDGE, SECTION 2B, SHOWN BY PLAT OF CORD IN PLAT G, PAGE IN THE REGISTER'S OFFICE FOR MONTGOMERY COUNTY, TENNESSEE, TO WHICH PLAT REFERENCE HEREBY MADE FOR MORE COMPLETE DESCRIPTION. THIS BEING THE SAME REAL ESTATE CONVEYED GRANTOR BY DEED OF CORD IN ORBV 1592 P. 1704, IN THE REGISTER'S OFFICE MONTGOMERY COUNTY TENNESSEE. ENCUMBRANCES SUBJECT TO REAL ESTATE VALOREM TAXES THE CURRENT YEAR THEREAFTER. SUBJECT TO ALL TITLE MATTERS AND CONDITIONS SHOWN ON THE RECORDED PLAT OF RECORD PLAT G, PAGE 75, IN THE REGISTER'S OFFICE MONTGOMERY COUNTY TENNESSEE. SUBJECT TO RESTRICT

Continued to next column

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): March, 25, 2016.

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

Phase	DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1. Architectural and engineering contract signed	30	3-2016
2. Construction documents approved by the Tennessee Department of Health	60	5-2016
3. Construction contract signed	30	5-2016
4. Building permit secured	45	5-2016
5. Site preparation completed	N/A	N/A
6. Building construction commenced	90	8-2016
7. Construction 40% complete	36	9-2016
8. Construction 80% complete	72	10-2016
9. Construction 100% complete (approved for occupancy)	100	11-2016
10. *Issuance of license	_____	_____
11. *Initiation of service	_____	<u>11-2016</u>
12. Final Architectural Certification of Payment	30	12-2016
13. Final Project Report Form (HF0055)	30	12-2016

*** For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

Dan H. B. 1st, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.



SIGNATURE/TITLE

Sworn to and subscribed before me this 15th day of Dec., 2015 a Notary
(Month) (Year)

Public in and for the County/State of Tennessee.



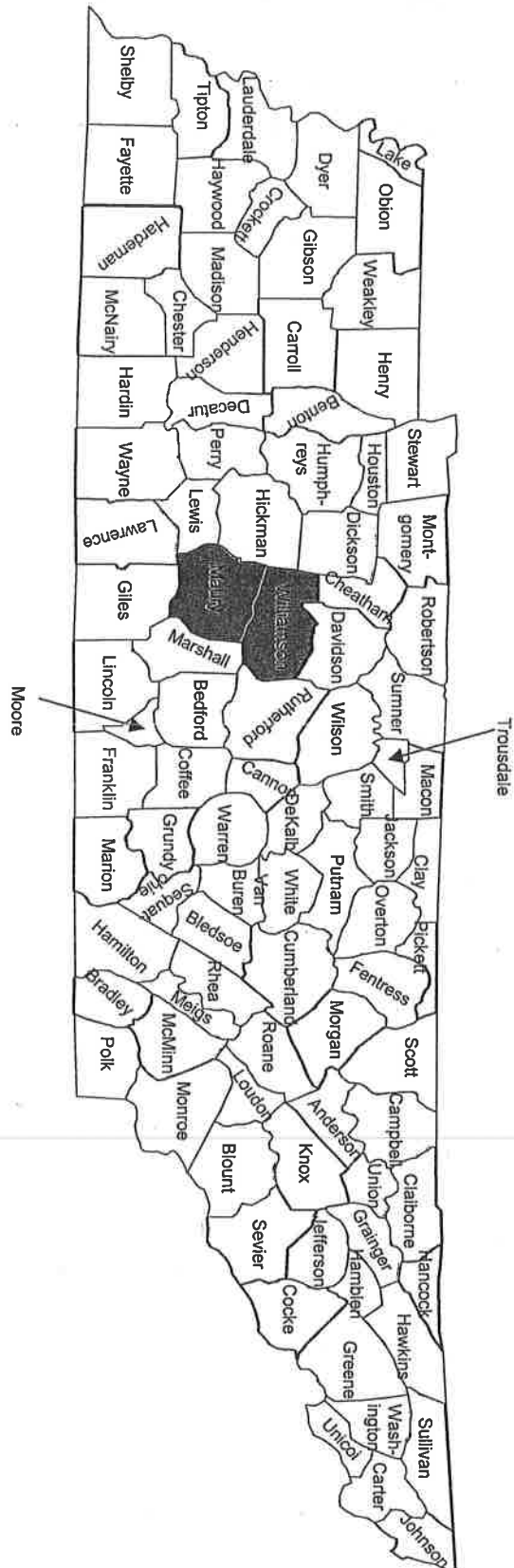
NOTARY PUBLIC

My commission expires Sept. 10, 2018.
(Month/Day) (Year)



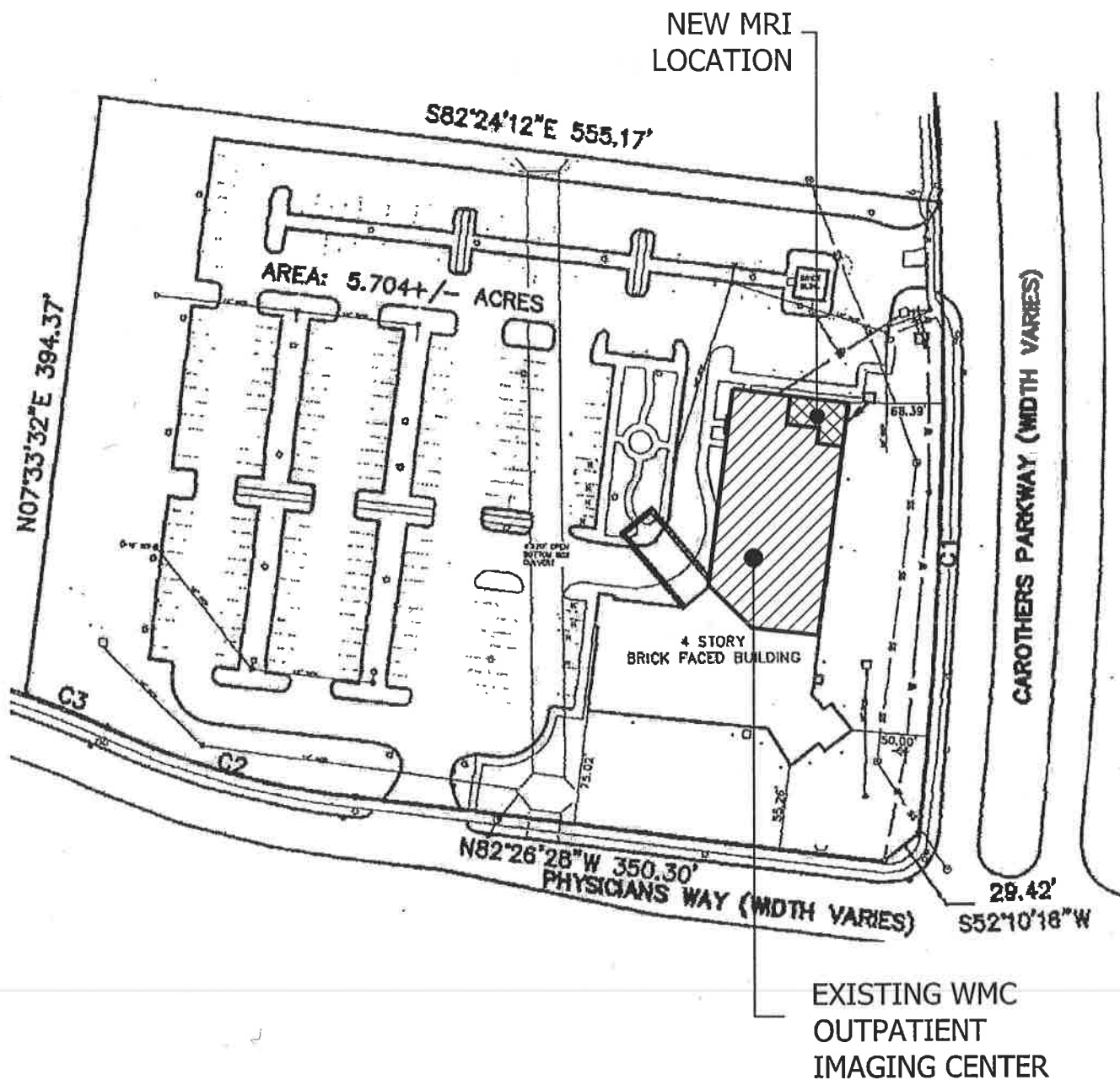
Attachment C. Need 3

Service Area Map



Attachment B.III.A

Plot Plan

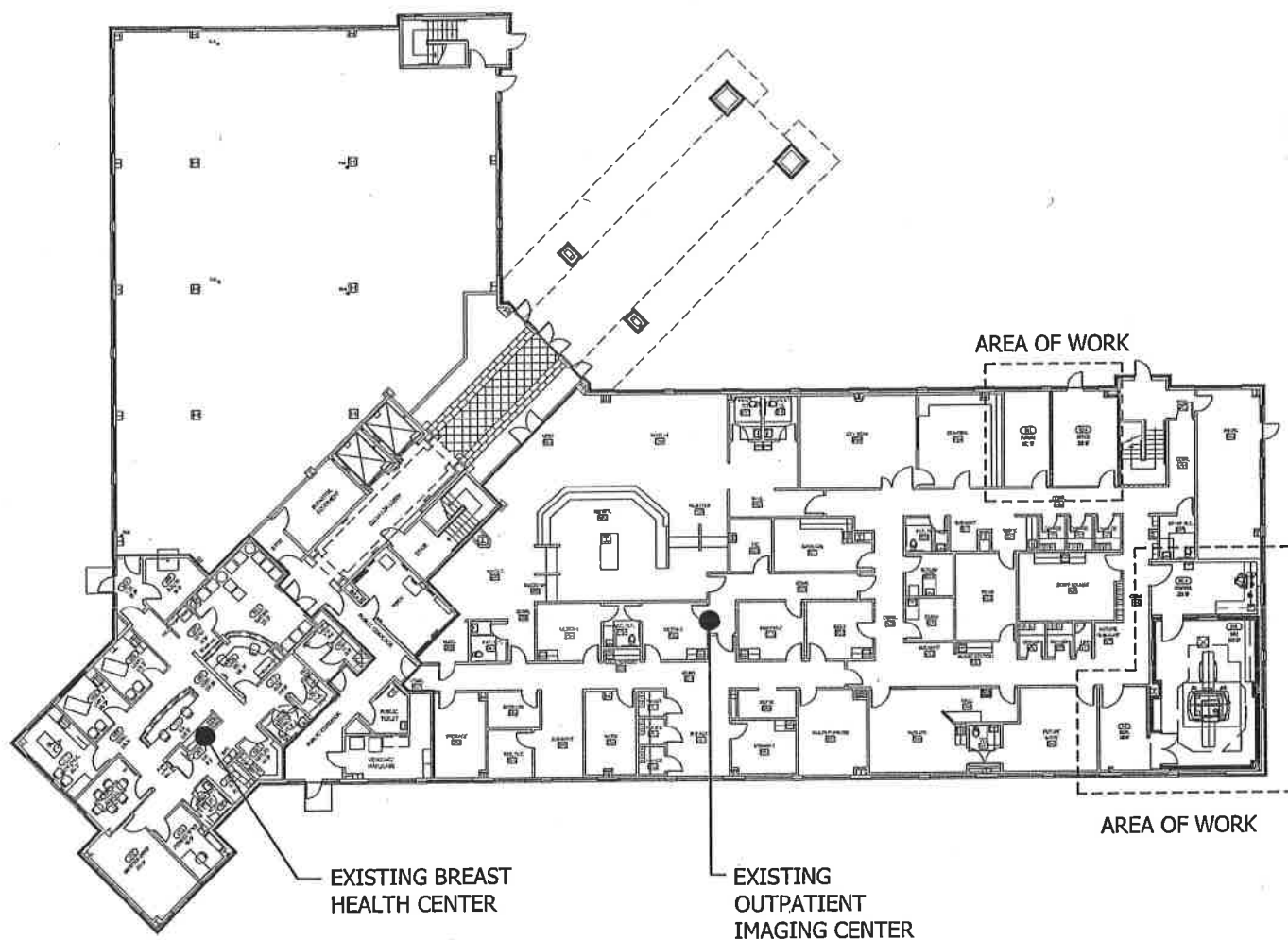


NEW MRI at WMC OUTPATIENT IMAGING CENTER
for WILLIAMSON MEDICAL CENTER
 FRANKLIN, TN 37067

10/23/2015 - C.O.N. SUBMITTAL - NOT FOR CONSTRUCTION
 HMK ARCHITECTS PLLC

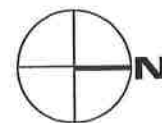
Attachment B.IV

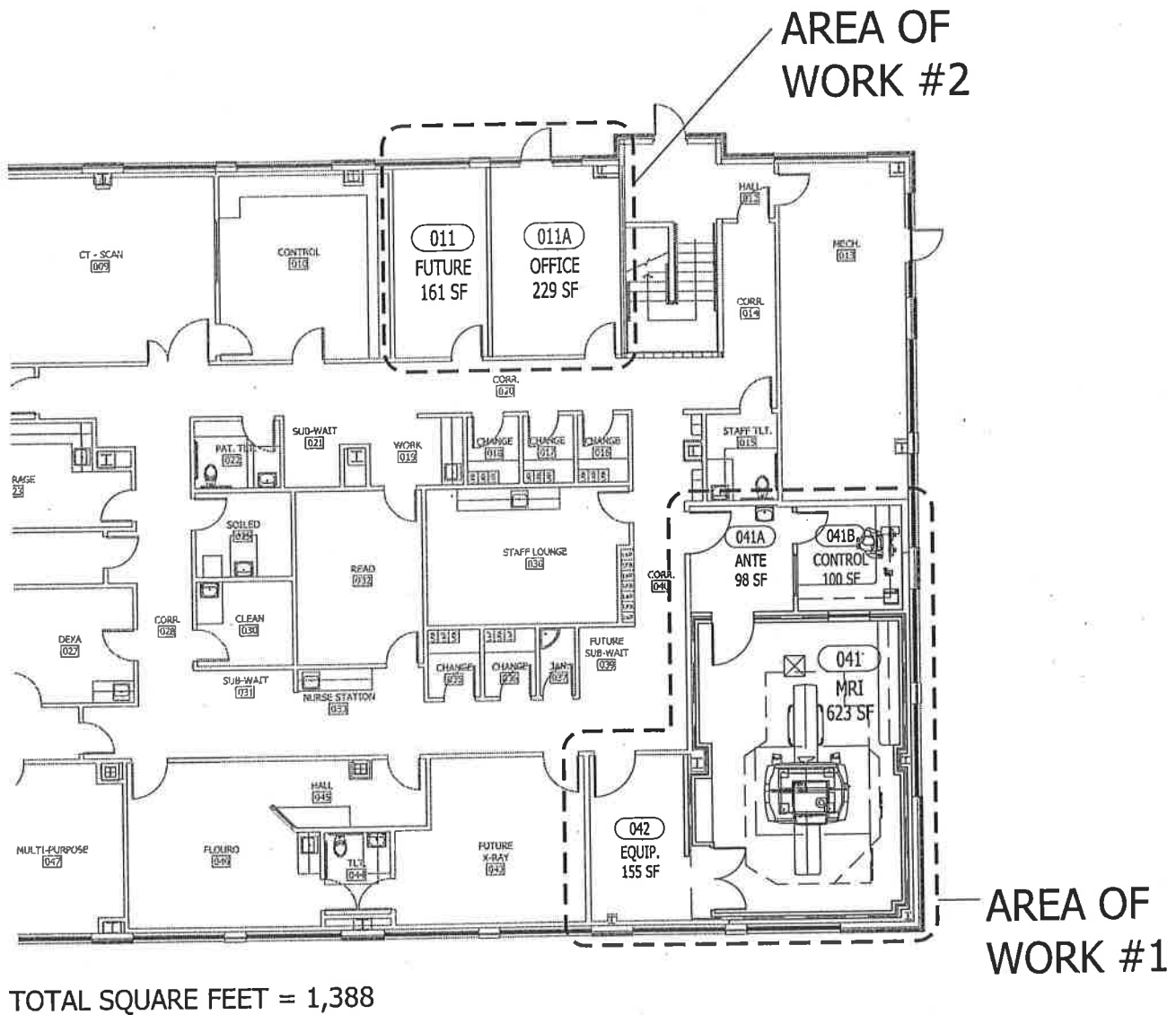
Floor Plan



NEW MRI at WMC OUTPATIENT IMAGING CENTER
for WILLIAMSON MEDICAL CENTER
FRANKLIN, TN 37067

10/23/2015 - C.O.N. SUBMITTAL - NOT FOR CONSTRUCTION
HMK ARCHITECTS PLLC





NEW MRI at WMC OUTPATIENT IMAGING CENTER
for WILLIAMSON MEDICAL CENTER
 FRANKLIN, TN 37067

10/23/2015 - C.O.N. SUBMITTAL - NOT FOR CONSTRUCTION
 HMK ARCHITECTS PLLC



Attachment C. Economic Feasibility-1

Letter from Architect



October 23, 2015

Ms. Melanie Hill
 Executive Director
 State of Tennessee
 Health Services and Development Agency
 500 Deadrick Street, Suite 850
 Nashville, TN 37243

RE: Williamson Medical Center, Franklin, Tennessee
MRI Room Buildout at the WMC Outpatient Imaging Center

Dear Ms. Hill:

We have reviewed the construction cost developed for the buildout of a new MRI room proposed for Williamson Medical Center's Outpatient Imaging Center, located on Carothers Parkway in Franklin, Tennessee. The construction cost of \$409,554 is based on the buildout of 1,388 square feet of interior shell space for the MRI room and associated support spaces.

It is our professional opinion that the construction cost proposed, which equates to \$295.00 per square foot, is consistent with historical data based on our experience with projects of a similar type and size. The small size of the project and the highly technical nature of the buildout contributes to the higher cost per square foot compared to larger projects. It is important to note that our opinion is based on normal market conditions, price escalation, etc.

The construction will include building out previously unfinished interior shell space within the Outpatient Imaging Center, and will include new metal stud framed walls, concrete floor slab, architectural woodwork, steel doors/frames, wood doors, drywall, interior finishes, specialty RF shielding and other similar work related specifically to the requirements of the MRI equipment, as well as mechanical, plumbing, electrical and fire protection systems.

Patient access to this MRI service is provided through the already existing WMC Outpatient Imaging Center.

The project will be developed under the current codes and standards enforced by the City of Franklin and the State of Tennessee as follows:

2012 International Building Code
 2012 International Mechanical Code
 2012 International Plumbing Code
 2012 International Gas Code
 2011 National Electrical Code

2012 NFPA 1, excluding NFPA 5000
2012 NFPA 101, Life Safety Code
2010 FGI Guidelines for the Design and Construction of Health Care Facilities
2002 North Carolina Accessibility Code with 2004 Amendments
2010 Americans with Disabilities Act (ADA)

If there are any questions, please do not hesitate to contact us.

Sincerely,

HMK ARCHITECTS PLLC

A handwritten signature in black ink, appearing to read "Elizabeth W. Kickirillo". The signature is fluid and cursive, with the first name being the most prominent.

Elizabeth W. Kickirillo, NCARB, AIA – [TN License No. 101059]

Attachment C. Financial Feasibility-2

Letter from CFO



4321 Carothers Parkway • Franklin, TN 37067 • 615.435.5000

November 23, 2015

Ms. Melanie Hill, Executive Director
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

RE: Adequate Funding for Williamson Medical Center – Certificate of Need

Dear Ms. Hill:

Williamson Medical Center has sufficient cash reserves to fund the cost of MRI equipment for the proposed project described in the Certificate of Need application. The estimated total cost for certificate of need purposes is \$2,252,884.

Respectfully,

A handwritten signature in black ink that reads "Paul Bolin".

Paul A. Bolin
Chief Financial Officer

Attachment C. Financial Feasibility-10

Financial Statements

WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

**Audited Financial Statements
and Other Information**

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Williamson County Hospital District
Franklin, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Williamson County Hospital District (Williamson Medical Center) (the "Medical Center"), a component unit of Williamson County, Tennessee, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Williamson County Hospital District as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 - 7 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015 on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

L B M C , P C

Brentwood, Tennessee
September 25, 2015

**WILLIAMSON COUNTY HOSPITAL DISTRICT
(WILLIAMSON MEDICAL CENTER)**

Management's Discussion and Analysis

This section presents management's discussion and analysis of the financial performance of Williamson County Hospital District (Williamson Medical Center) (the Medical Center) for the fiscal years ended June 30, 2013 thru June 30, 2015. Please read this discussion in conjunction with the Medical Center's financial statements and accompanying footnotes.

USING THE ANNUAL FINANCIAL REPORT

The Medical Center is operated and maintained by Williamson County, Tennessee (the County). The County Commission adopted a resolution in 1992, in conjunction with acquiring title to the property and equipment of the District, giving the District complete authority and responsibility to manage and operate the Medical Center as provided in Chapter 107 of the Private Act of 1957 passed by the Tennessee legislature. For financial reporting purposes, the Medical Center is considered a component unit of the County.

The financial statements include the accounts and operations of the Medical Center, as well as those of the Williamson Medical Center Foundation, a discretely presented component unit. The Medical Center follows the accrual method of accounting. Revenues are recognized in the period earned; expenses are recorded at the time liabilities are incurred.

The financial statements consist of statements of net position, statements of revenue, expenses and changes in net position and statements of cash flows. The accompanying notes to the financial statements are an integral part of the financial statements and are essential to understanding the data contained in the financial statements. The balance sheets provide descriptions of the Medical Center's financial position. The statements of revenues, expenses and changes in net position report the revenues and expenses related to the Medical Center's activities.

The Medical Center utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis, which is an economic resources measurement focus approach to accounting. In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 makes the GASB Accounting Standards Codification the sole source of authoritative accounting technical literature for governmental entities in the United States of America. In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*. GASB 62 and 63 were effective for periods beginning after December 15, 2011.

NOTEWORTHY FINANCIAL ACTIVITY

- Key measures of patient activity are noted below. Admissions increased by 801 or 8.2% over the prior year. Patient days increased by 1,882 or 5.5%. The difference in these two percentages support a drop in length of stay by .1 from the prior year. Equivalent patient days which is a method of measuring outpatient activity increased by 5,994 or 7.3% over the prior fiscal year. Surgeries remained constant compared to the prior year. Emergency Room visits increased by 2,568 or 7.4% and births were up by 111 or 6.8%.

	Year Ended June 30,		
	2015	2014	2013
Admissions	10,533	9,732	9,563
Patient Days	35,988	34,106	35,239
Length of Stay	3.4	3.5	3.6
Equivalent patient days	88,623	82,629	85,009
Surgeries	9,653	9,631	9,487
Emergency Room Visits	37,306	34,738	36,184
Births	1,752	1,641	1,521
Case mix index	1.25	1.34	1.23

**WILLIAMSON COUNTY HOSPITAL DISTRICT
(WILLIAMSON MEDICAL CENTER)**

Management's Discussion and Analysis

- Payor mix is based on gross charges. Compared to 2014, minimal changes have occurred. Managed care increased 1.1%, Commercial decreased .9%, Blue Cross increased 1.3% and self-pay decreased .7%.

	Year ended June 30,		
	2015	2014	2013
Medicare	41.2%	41.5%	40.0%
Managed Care	15.0%	13.9%	10.7%
Commercial	6.4%	7.3%	10.1%
TennCare	5.1%	5.5%	5.8%
Self Pay	4.0%	4.7%	5.2%
Workers Comp	.8%	0.7%	0.7%
Blue Cross	27.4%	26.1%	27.4%
Medassist	.1%	0.3%	0.1%
	100.0%	100.0%	100.0%

BALANCE SHEET

	Year ended June 30,		
	2015	2014	2013
Assets:			
Current assets	\$ 42,613,803	\$ 38,133,162	\$ 40,606,830
Property and equipment, net	181,461,928	133,175,579	117,155,268
Non-current assets limited as to use	28,027,601	71,069,595	45,647,226
Other non-current assets	15,071,038	14,261,783	8,447,387
Total assets	267,174,370	256,640,119	211,856,711
Deferred outflows of resources – excess consideration provided by acquisition	1,732,362	1,732,362	1,732,362
Liabilities:			
Current liabilities	23,881,131	24,922,018	23,775,545
Bonds, notes payable and obligations under capital lease, excluding current portion	63,017,057	67,509,853	30,105,404
Total liabilities	86,898,188	92,431,871	53,880,949
Net position:			
Net investment in capital assets	111,033,345	58,386,762	76,910,033
Restricted expendable net assets	3,022,541	1,876,561	909,690
Unrestricted	67,952,658	105,677,287	81,888,401
Total net position	\$182,008,544	\$165,940,610	\$159,708,124

As of June 30, 2015 the Medical Center's current assets of \$42.6 million were sufficient to cover current liabilities of \$23.8 million (current ratio of 1.8 compared to 1.5 in the prior year). The Debt Service Coverage Ratio for June 30, 2015 was at 2.8 compared to 2.7 for June 30, 2014. Day's cash on hand was 109.1 at June 30, 2015 versus 138.7 at June 30, 2014, a decrease of 21.4%. The decrease in day's cash on hand is due to partial funding of the Pediatric Emergency room and inpatient wing with funds from operations.

**WILLIAMSON COUNTY HOSPITAL DISTRICT
(WILLIAMSON MEDICAL CENTER)**

Management's Discussion and Analysis

OPERATING RESULTS AND CHANGES IN THE MEDICAL CENTER'S NET ASSETS

	Year ended June 30,		
	2015	2014	2013
Operating revenues:			
Net patient service revenue	\$168,910,998	\$156,083,037	\$151,373,539
Contributions	1,471,291	1,132,168	135,180
Other operating revenue	3,952,059	4,245,355	5,161,038
Total operating revenues	174,334,348	161,460,560	156,669,757
Operating expenses:			
Salaries, wages and benefits	84,108,656	84,230,904	80,239,766
Supplies and other	66,485,470	63,502,613	59,942,575
Depreciation and amortization	10,682,803	10,663,947	10,974,242
Total operating expenses	161,276,929	158,397,464	151,156,583
Operating income	13,057,419	3,063,096	5,513,174
Non-operating revenue (expenses)			
Investment income	464,016	477,863	441,356
Interest expense	(1,270,929)	(1,238,212)	(1,406,939)
Income (loss) on investment in joint venture	1,299,933	1,466,983	4,699
Contributions received from Williamson County	1,943,624	1,943,624	1,943,624
Other, net	573,871	519,132	207,993
Non-operating revenue (expenses), net	3,010,515	3,169,390	1,190,733
Excess of revenues over expenses	16,067,934	6,232,486	6,703,907
Net position, beginning of year	165,940,610	159,708,124	153,004,217
Net position, end of year	\$182,008,544	\$165,940,610	\$159,708,124

- Total operating revenues for 2015 are comprised of net patient service revenue (\$169 million), contributions (\$1.4 million) and other operating revenue (\$3.9 million).
- Net operating revenue for fiscal year 2015 increased by \$12.8 million or 8.0% from prior year. Net patient service revenue for 2015 represents 32.4% of gross service charges, down from 32.7% of gross charges in 2014. Contractual arrangements with third-party payors, bad debt and charity care account for the difference between gross service charges and net patient service revenue.
- Salaries, wages and benefits decreased by \$122,248 or 0.15% over the prior fiscal year. The decrease was due to targeted merit increase freezes and managing to productivity benchmarks. The Full Time Equivalents (FTEs) were 1,140 and 1,182 in fiscal years 2015 and 2014, respectively. The salaries, wages and benefits expense accounted for 52.2% of the total operating expenses for 2015 as compared to 53.2% in 2014.

**WILLIAMSON COUNTY HOSPITAL DISTRICT
(WILLIAMSON MEDICAL CENTER)**

Management's Discussion and Analysis

- Total operating expenses for 2015, including depreciation and amortization of \$10.7 million, were \$161.3 million, \$2.9 million or 1.8% over the prior year. Salaries and depreciation varied only slightly. Supplies and other costs accounted for the majority of the \$2.9 million increase.

THE MEDICAL CENTER'S CASH FLOWS

In the current fiscal year, a pediatric emergency room and children's inpatient wing were funded, as planned, with operating reserves from the hospital's funded depreciation account. This impacted the Day's Cash on Hand ratios. The 12 month average for fiscal year 2015 was 134.6 compared to 150.6 for 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2015, the Medical Center had \$181.4 million invested in capital assets, net of accumulated depreciation as compared to \$133.1 million in 2014. The net increase is a result the total assets purchased of \$59.0 million and depreciation expense of \$10.7 million.

REQUEST FOR INFORMATION

The Financial Statements and Management's Discussion and Analysis are designed to provide a summary and general overview of the Medical Center's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Chief Financial Officer of Williamson Medical Center at 4321 Carothers Parkway, Franklin, Tennessee 37067.

**WILLIAMSON COUNTY HOSPITAL DISTRICT
(WILLIAMSON MEDICAL CENTER)**

Management's Discussion and Analysis

WILLIAMSON MEDICAL CENTER OFFICERS

Donald Webb, Chief Executive Officer
Paul Bolin, Chief Financial Officer
Julie Miller, Chief Operating Officer
Lori Orme, Chief Nursing Officer
Ashley Perkins, Associate Administrator-Nursing
Tim Burton, Associate Administrator-Operations
Phyllis Molyneux, Associate Administrator- Human Resources and Compliance
Starling Evins, MD, Chief Medical Officer

WILLIAMSON MEDICAL CENTER BOARD OF TRUSTEES

Rogers Anderson
A.J. Bethurum, M.D.
James (Bo) Butler
Bertram (Bert) Chalfant
Jim Cross, IV
Brown Daniel
Russell Little
Joel Locke, M.D.
Kathy McGee
Mary Mills
Jack Walton
Cheryl Wilson

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Net Position

June 30, 2015

	<u>Primary Enterprise</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
<u>Assets</u>			
Current assets:			
Cash	\$ 17,413,706	\$ -	\$ 17,413,706
Assets limited as to use by management for current liabilities	2,673,366	-	2,673,366
Patient accounts receivable, less allowance for uncollectible accounts of \$8,633,182	18,338,160	-	18,338,160
Other receivables	207,779	345,505	553,284
Inventories	2,523,020	-	2,523,020
Prepaid expenses	<u>1,112,267</u>	<u>-</u>	<u>1,112,267</u>
Total current assets	42,268,298	345,505	42,613,803
Assets limited as to use, excluding assets required for current liabilities:			
By Board for capital improvements	26,403,462	-	26,403,462
By Board for bond principal and interest payments	2,673,366	-	2,673,366
By donors	<u>-</u>	<u>1,624,139</u>	<u>1,624,139</u>
Total assets limited as to use	29,076,828	1,624,139	30,700,967
Less: amount classified as current	<u>(2,673,366)</u>	<u>-</u>	<u>(2,673,366)</u>
	26,403,462	1,624,139	28,027,601
Property and equipment, net	181,461,928	-	181,461,928
Other assets:			
Other receivables, less current portion	15,055	1,007,556	1,022,611
Investment in joint ventures	13,956,759	-	13,956,759
Other	<u>91,668</u>	<u>-</u>	<u>91,668</u>
Total other assets	<u>14,063,482</u>	<u>1,007,556</u>	<u>15,071,038</u>
Total assets	<u>264,197,170</u>	<u>2,977,200</u>	<u>267,174,370</u>
Deferred outflows of resources - excess consideration provided for acquisition	<u>1,732,362</u>	<u>-</u>	<u>1,732,362</u>

See accompanying notes to the financial statements.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Net Position, Continued

June 30, 2015

	<u>Primary Enterprise</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	6,368,556	-	6,368,556
Accrued payroll, compensated absences and payroll related liabilities	7,293,807	-	7,293,807
Accrued expenses and other liabilities	2,357,405	-	2,357,405
Accrued interest expense	294,716	-	294,716
Current portion of long-term debt	7,193,495	-	7,193,495
Current portion of capital lease obligations	218,031	-	218,031
Estimated third-party payor settlements	<u>155,121</u>	<u>-</u>	<u>155,121</u>
Total current liabilities	23,881,131	-	23,881,131
Long-term debt, excluding current portion	62,703,408	-	62,703,408
Capital lease obligations, excluding current portion	<u>313,649</u>	<u>-</u>	<u>313,649</u>
Total liabilities	<u>86,898,188</u>	<u>-</u>	<u>86,898,188</u>
<u>Net Position</u>			
Net position:			
Unrestricted:			
Net investment in capital assets	111,033,345	-	111,033,345
Unrestricted	<u>67,952,658</u>	<u>-</u>	<u>67,952,658</u>
Total unrestricted net position	178,986,003	-	178,986,003
Restricted - by donors	<u>45,341</u>	<u>2,977,200</u>	<u>3,022,541</u>
Total net position	<u>\$ 179,031,344</u>	<u>\$ 2,977,200</u>	<u>\$ 182,008,544</u>

See accompanying notes to the financial statements.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Net Position

June 30, 2014

	<u>Primary Enterprise</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
<u>Assets</u>			
Current assets:			
Cash	\$ 10,407,865	\$ -	\$ 10,407,865
Assets limited as to use by management for current liabilities	3,024,378	-	3,024,378
Patient accounts receivable, less allowance for uncollectible accounts of \$7,287,991	18,342,212	-	18,342,212
Other receivables	1,178,422	190,000	1,368,422
Inventories	3,781,625	-	3,781,625
Prepaid expenses	<u>1,208,660</u>	<u>-</u>	<u>1,208,660</u>
Total current assets	37,943,162	190,000	38,133,162
Assets limited as to use, excluding assets required for current liabilities:			
By Board for capital improvements	70,118,352	-	70,118,352
By Board for bond principal and interest payments	3,024,378	-	3,024,378
By donors	<u>-</u>	<u>951,243</u>	<u>951,243</u>
Total assets limited as to use	73,142,730	951,243	74,093,973
Less: amount classified as current	<u>(3,024,378)</u>	<u>-</u>	<u>(3,024,378)</u>
	70,118,352	951,243	71,069,595
Property and equipment, net	133,175,579	-	133,175,579
Other assets:			
Other receivables, less current portion	52,694	690,000	742,694
Investment in joint ventures	13,417,236	-	13,417,236
Other	<u>101,853</u>	<u>-</u>	<u>101,853</u>
Total other assets	<u>13,571,783</u>	<u>690,000</u>	<u>14,261,783</u>
Total assets	<u>254,808,876</u>	<u>1,831,243</u>	<u>256,640,119</u>
Deferred outflows of resources - excess consideration provided for acquisition	<u>1,732,362</u>	<u>-</u>	<u>1,732,362</u>

See accompanying notes to the financial statements.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Net Position, Continued

June 30, 2014

	Primary <u>Enterprise</u>	Component <u>Unit</u>	Total Reporting <u>Entity</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	8,241,594	-	8,241,594
Accrued payroll, compensated absences and payroll related liabilities	6,757,797	-	6,757,797
Accrued expenses and other liabilities	2,209,436	-	2,209,436
Accrued interest expense	309,227	-	309,227
Current portion of long-term debt	7,118,733	-	7,118,733
Current portion of capital lease obligations	160,231	-	160,231
Estimated third-party payor settlements	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Total current liabilities	24,922,018	-	24,922,018
Long-term debt, excluding current portion	<u>67,509,853</u>	<u>-</u>	<u>67,509,853</u>
Total liabilities	<u>92,431,871</u>	<u>-</u>	<u>92,431,871</u>
<u>Net Position</u>			
Net position:			
Unrestricted:			
Net investment in capital assets	58,386,762	-	58,386,762
Unrestricted	<u>105,677,287</u>	<u>-</u>	<u>105,677,287</u>
Total unrestricted net position	164,064,049	-	164,064,049
Restricted - by donors	<u>45,318</u>	<u>1,831,243</u>	<u>1,876,561</u>
Total net position	\$ <u>164,109,367</u>	\$ <u>1,831,243</u>	\$ <u>165,940,610</u>

See accompanying notes to the financial statements.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2015

	Primary <u>Enterprise</u>	Component <u>Unit</u>	Total Reporting <u>Entity</u>
Operating revenue:			
Net patient service revenue, net of provision for bad debts of \$13,171,452	\$ 168,910,998	\$ -	\$ 168,910,998
Contributions	-	1,471,291	1,471,291
Other revenue	<u>3,952,059</u>	<u>-</u>	<u>3,952,059</u>
Total operating revenue	<u>172,863,057</u>	<u>1,471,291</u>	<u>174,334,348</u>
Operating expenses:			
Salaries and wages	71,013,902	-	71,013,902
Employee benefits	13,094,754	-	13,094,754
Supplies	38,248,339	-	38,248,339
Purchased services	7,696,240	-	7,696,240
Repairs and maintenance	5,225,965	-	5,225,965
Leases and rentals	1,797,675	-	1,797,675
Insurance	1,125,020	-	1,125,020
Depreciation and amortization	10,682,803	-	10,682,803
Other expenses	<u>12,055,838</u>	<u>336,393</u>	<u>12,392,231</u>
Total operating expenses	<u>160,940,536</u>	<u>336,393</u>	<u>161,276,929</u>
Operating income	<u>11,922,521</u>	<u>1,134,898</u>	<u>13,057,419</u>
Nonoperating income (expenses):			
Investment income	452,957	11,059	464,016
Interest expense	(1,270,929)	-	(1,270,929)
Equity in earnings of joint ventures	1,299,933	-	1,299,933
Contributions received from Williamson County	1,943,624	-	1,943,624
Other, net	<u>573,871</u>	<u>-</u>	<u>573,871</u>
Net nonoperating income	<u>2,999,456</u>	<u>11,059</u>	<u>3,010,515</u>
Excess of revenues over expenses	14,921,977	1,145,957	16,067,934
Net position at beginning of year	<u>164,109,367</u>	<u>1,831,243</u>	<u>165,940,610</u>
Net position at end of year	\$ <u>179,031,344</u>	\$ <u>2,977,200</u>	\$ <u>182,008,544</u>

See accompanying notes to the financial statements.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2014

	<u>Primary Enterprise</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
Operating revenue:			
Net patient service revenue, net of provision for bad debts of \$12,911,855	\$ 156,083,037	\$ -	\$ 156,083,037
Contributions	-	1,132,168	1,132,168
Other revenue	<u>4,245,355</u>	<u>-</u>	<u>4,245,355</u>
Total operating revenue	<u>160,328,392</u>	<u>1,132,168</u>	<u>161,460,560</u>
Operating expenses:			
Salaries and wages	71,345,611	-	71,345,611
Employee benefits	12,885,293	-	12,885,293
Supplies	36,585,119	-	36,585,119
Purchased services	7,133,563	-	7,133,563
Repairs and maintenance	4,887,263	-	4,887,263
Leases and rentals	2,389,184	-	2,389,184
Insurance	1,172,687	-	1,172,687
Depreciation and amortization	10,663,947	-	10,663,947
Other expenses	<u>11,087,051</u>	<u>247,746</u>	<u>11,334,797</u>
Total operating expenses	<u>158,149,718</u>	<u>247,746</u>	<u>158,397,464</u>
Operating income	<u>2,178,674</u>	<u>884,422</u>	<u>3,063,096</u>
Nonoperating income (expenses):			
Investment income	394,173	83,690	477,863
Interest expense	(1,238,212)	-	(1,238,212)
Equity in earnings of joint ventures	1,466,983	-	1,466,983
Contributions received from Williamson County	1,943,624	-	1,943,624
Other, net	<u>519,132</u>	<u>-</u>	<u>519,132</u>
Net nonoperating income	<u>3,085,700</u>	<u>83,690</u>	<u>3,169,390</u>
Excess of revenues over expenses	<u>5,264,374</u>	<u>968,112</u>	<u>6,232,486</u>
Net position at beginning of year	<u>158,844,993</u>	<u>863,131</u>	<u>159,708,124</u>
Net position at end of year	<u>\$ 164,109,367</u>	<u>\$ 1,831,243</u>	<u>\$ 165,940,610</u>

See accompanying notes to the financial statements.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Cash Flows

Year ended June 30, 2015

	Primary <u>Enterprise</u>	Component <u>Unit</u>	Total Reporting <u>Entity</u>
Cash flows from operating activities:			
Receipts from and on behalf of patients	\$ 168,945,171	\$ -	\$ 168,945,171
Receipts from other operations	2,982,703	998,230	3,980,933
Rent receipts	1,977,638	-	1,977,638
Payments to vendors for supplies and other	(67,819,148)	(336,393)	(68,155,541)
Payments to employees	<u>(83,572,646)</u>	<u>-</u>	<u>(83,572,646)</u>
Net cash provided by operating activities	22,513,718	661,837	23,175,555
Cash flows from noncapital financing activities:			
Contributions received from Williamson County	<u>1,943,624</u>	<u>-</u>	<u>1,943,624</u>
Net cash provided by noncapital financing activities	1,943,624	-	1,943,624
Cash flows from capital and related financing activities:			
Capital expenditures, net	(57,041,841)	-	(57,041,841)
Principal paid on long-term debt	(7,304,183)	-	(7,304,183)
Proceeds from issuance of debt	2,572,500	-	2,572,500
Repayment of capital lease obligations	(245,677)	-	(245,677)
Interest paid on long-term debt	<u>(1,285,440)</u>	<u>-</u>	<u>(1,285,440)</u>
Net cash used by capital and related financing activities	(63,304,641)	-	(63,304,641)
Cash flows from investing activities:			
Distributions from joint ventures	760,410	-	760,410
Investment income	452,957	11,059	464,016
Other, net	573,871	-	573,871
Purchase of investments	<u>-</u>	<u>(7,485)</u>	<u>(7,485)</u>
Net cash provided by investing activities	<u>1,787,238</u>	<u>3,574</u>	<u>1,790,812</u>
Net increase (decrease) in cash and cash equivalents	(37,060,061)	665,411	(36,394,650)
Cash and cash equivalents at beginning of year	<u>83,550,595</u>	<u>131,200</u>	<u>83,681,795</u>
Cash and cash equivalents at end of year	\$ <u>46,490,534</u>	\$ <u>796,611</u>	\$ <u>47,287,145</u>
Noncash transactions:			
Acquisition of property and equipment through exchange of inventory	\$ <u>1,300,000</u>	\$ <u>-</u>	\$ <u>1,300,000</u>
Acquisition of property and equipment through capital lease	\$ <u>617,126</u>	\$ <u>-</u>	\$ <u>617,126</u>

See accompanying notes to the financial statements.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Cash Flows, Continued

Year ended June 30, 2015

	<u>Primary Enterprise</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
Reconciliation of cash and cash equivalents to the balance sheets:			
Cash	\$ 17,413,706	\$ -	\$ 17,413,706
Cash and cash equivalents included in assets limited as to use	<u>29,076,828</u>	<u>796,611</u>	<u>29,873,439</u>
Cash and cash equivalents	<u>\$ 46,490,534</u>	<u>\$ 796,611</u>	<u>\$ 47,287,145</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 11,922,521	\$ 1,134,898	\$ 13,057,419
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	10,682,803	-	10,682,803
Provision for bad debts	13,171,452	-	13,171,452
(Increase) decrease in operating assets:			
Patient accounts receivable, net	(13,167,400)	-	(13,167,400)
Other receivables	1,008,282	(473,061)	535,221
Inventory	(41,395)	-	(41,395)
Prepaid expenses	96,393	-	96,393
Increase (decrease) in operating liabilities:			
Accounts payable	(1,873,038)	-	(1,873,038)
Accrued payroll, compensated absences and payroll related liabilities	536,010	-	536,010
Accrued expenses and other liabilities	147,969	-	147,969
Estimated third-party payor settlements	<u>30,121</u>	<u>-</u>	<u>30,121</u>
Total adjustments	<u>10,591,197</u>	<u>(473,061)</u>	<u>10,118,136</u>
Net cash provided by operating activities	<u>\$ 22,513,718</u>	<u>\$ 661,837</u>	<u>\$ 23,175,555</u>

See accompanying notes to the financial statements.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Cash Flows

Year ended June 30, 2014

	Primary <u>Enterprise</u>	Component <u>Unit</u>	Total Reporting <u>Entity</u>
Cash flows from operating activities:			
Receipts from and on behalf of patients	\$ 154,912,157	\$ -	\$ 154,912,157
Receipts from other operations	1,161,013	252,168	1,413,181
Rent receipts	2,131,489	-	2,131,489
Payments to vendors for supplies and other	(60,408,101)	(247,746)	(60,655,847)
Payments to employees	<u>(84,118,721)</u>	<u>-</u>	<u>(84,118,721)</u>
Net cash provided by operating activities	13,677,837	4,422	13,682,259
Cash flows from noncapital financing activities:			
Contributions received from Williamson County	<u>1,943,624</u>	<u>-</u>	<u>1,943,624</u>
Net cash provided by noncapital financing activities	1,943,624	-	1,943,624
Cash flows from capital and related financing activities:			
Capital expenditures, net	(26,674,073)	-	(26,674,073)
Principal paid on long-term debt	(5,890,434)	-	(5,890,434)
Proceeds from issuance of debt	40,775,000	-	40,775,000
Repayment of capital lease obligations	(340,984)	-	(340,984)
Interest paid on long-term debt	<u>(1,048,783)</u>	<u>-</u>	<u>(1,048,783)</u>
Net cash provided by capital and related financing activities	6,820,726	-	6,820,726
Cash flows from investing activities:			
Purchase of interest in joint venture	(4,500,000)	-	(4,500,000)
Distributions from joint ventures	709,697	-	709,697
Investment income	394,173	83,690	477,863
Other, net	519,132	-	519,132
Purchase of investments	<u>-</u>	<u>(81,266)</u>	<u>(81,266)</u>
Net cash provided (used) by investing activities	<u>(2,876,998)</u>	<u>2,424</u>	<u>(2,874,574)</u>
Net increase in cash and cash equivalents	19,565,189	6,846	19,572,035
Cash and cash equivalents at beginning of year	<u>63,985,406</u>	<u>124,354</u>	<u>64,109,760</u>
Cash and cash equivalents at end of year	\$ <u>83,550,595</u>	\$ <u>131,200</u>	\$ <u>83,681,795</u>

See accompanying notes to the financial statements.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Statements of Cash Flows, Continued

Year ended June 30, 2014

	<u>Primary Enterprise</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
Reconciliation of cash and cash equivalents to the balance sheets:			
Cash	\$ 10,407,865	\$ -	\$ 10,407,865
Cash and cash equivalents included in assets limited as to use	<u>73,142,730</u>	<u>131,200</u>	<u>73,273,930</u>
Cash and cash equivalents	<u>\$ 83,550,595</u>	<u>\$ 131,200</u>	<u>\$ 83,681,795</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 2,178,674	\$ 884,422	\$ 3,063,096
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	10,663,947	-	10,663,947
Provision for bad debts	12,911,855	-	12,911,855
(Increase) decrease in operating assets:			
Patient accounts receivable, net	(14,057,735)	-	(14,057,735)
Other receivables	(952,853)	(880,000)	(1,832,853)
Inventories	(400,201)	-	(400,201)
Prepaid expenses	(483,761)	-	(483,761)
Increase (decrease) in operating liabilities:			
Accounts payable	3,946,756	-	3,946,756
Accrued payroll, compensated absences and payroll related liabilities	112,183	-	112,183
Accrued expenses and other liabilities	(216,028)	-	(216,028)
Estimated third-party payor settlements	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Total adjustments	<u>11,499,163</u>	<u>(880,000)</u>	<u>10,619,163</u>
Net cash provided by operating activities	<u>\$ 13,677,837</u>	<u>\$ 4,422</u>	<u>\$ 13,682,259</u>

See accompanying notes to the financial statements.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

(1) Nature of operations

(a) Organization

Primary Enterprise: Williamson County Hospital District (the "District") operates under the name of Williamson Medical Center (the "Medical Center") and is a general short-term acute care hospital organized as a political subdivision of Williamson County, Tennessee (the "County"). The Medical Center constitutes a component unit of the County, which is considered the primary government unit. The County Commission adopted a resolution in 1992, in conjunction with acquiring title to the property and equipment of the District, giving the District complete authority and responsibility to manage and operate the Medical Center as provided in Chapter 107 of the Private Act of 1957 passed by the Tennessee legislature. The County is financially accountable as it appoints a voting majority of the District's Board of Trustees and the full faith and credit of the County is pledged for payment of principal and interest on the outstanding hospital revenue and tax bonds.

The primary mission of the Medical Center is to provide inpatient and outpatient healthcare services to citizens of Williamson County and surrounding areas. The Medical Center also provides ambulance services in Williamson County.

Discretely Presented Component Unit: Williamson Medical Center Foundation (the "Foundation") is a tax-exempt organization which was established in 2003. The Foundation was formed to coordinate the fund-raising and development activities of the Medical Center which is the sole member of the organization. The activities of the Foundation are reflected in the operating, nonoperating revenues (expenses) and capital grants and contributions as they relate to the Foundation in the accompanying statements of revenues, expenses, and changes in net position. All assets of the Foundation, other than unconditional promises to give, are shown as part of assets limited as to use in the accompanying statements of net position. No contributions to the Foundation were used for capital purposes, and thus all contributions during 2015 and 2014 were classified as operating activities.

The Medical Center follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. As a result, the Foundation is included in the accompanying financial statements as a discretely presented component unit of the Medical Center.

As required by accounting principles generally accepted in the United States of America, these financial statements present both Williamson Medical Center and its discretely presented component unit (collectively referred to as the reporting entity).

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

Financial statements for the discretely presented individual component unit may be obtained at the following address:

Williamson Medical Center
4321 Carothers Parkway
Franklin, TN 37067

(2) Summary of significant accounting policies

(a) Basis of presentation

The Medical Center utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis, which is an economic resources measurement focus approach to accounting. In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 makes the GASB *Accounting Standards Codification* the sole source of authoritative accounting technical literature for governmental entities in the United States of America. In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*. GASB 62 and 63 were effective for periods beginning after December 15, 2011.

(b) Cash and cash equivalents

The Medical Center considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of amounts maintained in bank deposits and overnight repurchase agreements which are insured by the Federal Deposit Insurance Corporation or are otherwise collateralized.

(c) Inventories

Inventories consist principally of medical and pharmaceutical supplies and are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market (net realizable value).

(d) Assets limited as to use

Assets limited as to use include cash and investments designated by the Board of Trustees for future capital improvements and debt repayment, over which the Board retains control and may at its discretion use for other purposes; cash and investments from County bond proceeds to be used for capital improvements; and restricted cash and investments from donors through the Foundation. Investments are reported at fair value in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

(e) Property and equipment

Property and equipment are recorded at cost. The Medical Center capitalizes purchases that cost a minimum of \$5,000 and have a useful life greater than 2 years. Assets are depreciated on a straight-line basis over their estimated useful lives as follows: land improvements 2-25 years; buildings generally 40 years; fixed equipment 5-20 years; and major movable equipment 3-20 years. Assets under capital leases are included in property and equipment and the related amortization and accumulated amortization is included in depreciation and amortization expense and accumulated depreciation and amortization, respectively. The Medical Center reviews the carrying values of long-lived assets if facts and circumstances indicate that recoverability may have been impaired. Costs of maintenance and minor repairs are expensed as incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

(f) Investment in joint ventures

Investment in joint ventures are accounted for under the equity method of accounting and the Medical Center recognizes its proportionate share in the results of the underlying activities of the joint ventures.

(g) Excess consideration provided for acquisition

The Medical Center evaluates excess consideration provided for acquisition for impairment on an annual basis or more frequently if impairment indicators arise. In the event excess consideration provided for acquisition is considered to be impaired, a charge to earnings would be recorded during the period in which management makes such impairment assessment.

(h) Accrual for compensated absences

The Medical Center recognizes an expense and accrues a liability for compensated future employee absences in the period in which employees' rights to such compensated absences are earned. Compensated absences consist of paid days off including holiday, vacation, sick and bereavement days to qualifying employees.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

(i) Patient service revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

(j) Risk management

The Medical Center is exposed to various risks of loss from medical malpractice; torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. Commercial insurance is purchased for claims arising from such matters. The Medical Center is self-insured for employee medical and other healthcare benefit claims and judgments as discussed in Note 15.

(k) Income taxes

The Medical Center is classified as an organization exempt from federal income taxes as it is a political subdivision of Williamson County. The Foundation is classified as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

(l) Net position

The Medical Center's net position is classified in three components. The *net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. The *restricted net position* is the noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center, including amounts related to County contributions and bond indebtedness restricted for specific purposes. The *unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets or restricted*. The Medical Center first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. During 2014, \$1,241 of net position was released from restrictions and reclassified from restricted to unrestricted. During 2015, restricted net position increased \$23.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

(m) Operating revenues and expenses

The Medical Center's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, the Medical Center's principal activity. Nonexchange revenues, including grants and contributions received by the Medical Center for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

(n) Charity care

The Medical Center accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Medical Center. In assessing a patient's inability to pay, the Medical Center utilizes generally recognized poverty income levels. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, charges related to charity care are not included in net patient service revenue. These costs are estimated based on the ratio of total costs to gross charges. In addition to these charity care services, the Medical Center provides a number of other services to benefit underprivileged patients for which little or no payment is received, including providing services to TennCare and state indigent patients and providing various public health education, health evaluation and screening programs.

(o) Contributed resources

The Medical Center receives grants from the County, as well as from individuals and private organizations through the Foundation. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts received by the Medical Center that are unrestricted or that are restricted for specific operating purposes are reported as nonoperating income (expenses). Amounts received by the Foundation that are unrestricted or that are restricted for specific operating purposes are reported as operating revenues. Amounts restricted to capital acquisitions are reported as other increases in net position.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

(p) Adoption of new accounting pronouncements

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement relates to accounting and financial reporting for government combinations and disposals of government operations and is effective for financial statements for fiscal years beginning after December 15, 2013. Therefore the Medical Center adopted this accounting standard at the beginning of fiscal year 2015. The adoption of this accounting standard changed the presentation of amounts previously reported as goodwill and other intangible assets on the statements of net position.

(q) New accounting pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements and is effective for financial statements for fiscal years beginning after June 15, 2015. Therefore the Medical Center expects to adopt this accounting standard at the beginning of fiscal year 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement, which supersedes Statement No. 55, addresses how to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles, and is effective for financial statements for fiscal years beginning after June 15, 2015. Therefore the Medical Center expects to adopt this accounting standard at the beginning of fiscal year 2016.

The Medical Center is currently assessing the impact of adopting these accounting standards.

(r) Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) Reclassifications

Certain reclassifications have been made to the 2014 financial statements in order for them to conform to the 2015 presentation. These reclassifications have no effect on the net position or the excess of revenues over expenses as previously reported.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

(t) Performance indicator

Excess of revenues over expenses reflected in the accompanying statements of revenues, expenses and changes in net position is a performance indicator.

(u) Events occurring after reporting date

The Medical Center has evaluated events and transactions that occurred between June 30, 2015 and September 25, 2015, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Fair value measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). The Medical Center does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2015 and 2014. All of the Medical Center's investments are classified as Level 1 under the hierarchy above.

(a) Financial assets

The carrying amount of financial assets, consisting of cash, accounts receivable, accounts payable, accrued expenses and current portions of long-term debt and capital lease obligations approximate their fair value due to their relatively short maturities. Long-term debt and capital lease obligations are carried at amortized cost, which approximates fair value.

(b) Non-financial assets

The Medical Center's non-financial assets, which include property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Medical Center is required to evaluate the non-financial instrument for impairment, a resulting asset impairment would require that the non-financial asset be recorded at the fair value. During the years ended June 30, 2015 and 2014, there were no triggering events that prompted an asset impairment test of the Medical Center's non-financial assets. Accordingly, the Medical Center did not measure any non-recurring, non-financial assets or recognize any amounts in earnings related to changes in fair value for non-financial assets for the years ended June 30, 2015 and 2014.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

(4) Net patient service revenue

A significant portion of the amount of services provided by the Medical Center is to patients whose bills are paid by third-party payors such as Medicare, TennCare and private insurance carriers.

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the statements of revenues, expenses and changes in net position is as follows:

	<u>2015</u>	<u>2014</u>
Gross patient service charges	\$ 521,076,459	\$ 477,340,939
Less: Medicare contractual adjustments	(157,133,224)	(144,882,435)
TennCare contractual adjustments	(22,312,352)	(22,432,357)
Other contractual adjustments	(158,682,007)	(139,640,330)
Bad debt	(13,171,452)	(12,911,855)
Charity Care	<u>(866,426)</u>	<u>(1,390,925)</u>
Net patient service revenue	<u>\$ 168,910,998</u>	<u>\$ 156,083,037</u>

Net patient accounts receivable consists of the following:

	<u>2015</u>	<u>2014</u>
Commercial and managed care plans	\$ 11,432,851	\$ 10,171,780
Medicare	3,557,829	4,667,986
TennCare	530,403	605,112
Patients, including self-insured	<u>11,450,259</u>	<u>10,185,325</u>
	26,971,342	25,630,203
Less: allowance for uncollectible accounts	<u>(8,633,182)</u>	<u>(7,287,991)</u>
	<u>\$ 18,338,160</u>	<u>\$ 18,342,212</u>

(5) Third-party reimbursement programs

The Medical Center renders services to patients under contractual arrangements with the Medicare and Medicaid programs. Effective January 1, 1994, the Medicaid program in Tennessee was replaced with TennCare, a managed care program designed to cover previous Medicaid eligible enrollees as well as other previously uninsured and uninsurable participants.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

Amounts earned under these contractual arrangements are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. Activity with respect to audits and reviews of governmental programs and reimbursement has increased and is expected to increase in the future. No additional reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts. In the opinion of management, any adjustments which may result from such audits and reviews will not have a material impact on the financial statements; however, due to the uncertainties involved, it is at least reasonably possible that management's estimates will change in the future. In addition, participation in these programs subjects the Medical Center to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the programs.

The Medicare program pays for inpatient services on a prospective basis. Payments are based upon diagnostic related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized.

The Medicare program reimburses for outpatient services under a prospective method utilizing an ambulatory payment classification system which classifies outpatient services based upon medical procedures and diagnosis codes.

The Medical Center contracts with various managed care organizations under the TennCare program. TennCare reimbursement for both inpatient and outpatient services is based upon prospectively determined rates and per diem amounts.

Net patient service revenue related to Medicare and TennCare was approximately \$53,536,000 and \$3,870,000, respectively, in 2015, and approximately \$50,027,000 and \$3,528,000, respectively, in 2014.

The Medical Center has also entered into reimbursement agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, per diem rates, case rates and discounts from established charges.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for hospitals that implemented "meaningful use" certified electronic health record (EHR) technology. In order to receive incentive payments, a hospital which is able to meet the meaningful use criteria must attest that during the EHR reporting period, the hospital used certified EHR technology and specify the technology used, satisfied the required meaningful use objectives and associated measures for the applicable stage, and must specify the EHR reporting period and provide the result of each applicable measure for all patients admitted to the inpatient or emergency department of the hospital during the EHR reporting period for which a selected measure is applicable. A hospital may receive an incentive payment for up to four years, provided it successfully demonstrates meaningful use of certified EHR technology for the EHR reporting period. Hospitals that adopt a certified EHR system and are meaningful users can begin receiving incentive payments in any federal fiscal year from 2011 (October 1, 2010 - September 30, 2011) to 2015; however, the incentive payments will decrease for hospitals that first start receiving payments in federal fiscal year 2014 or 2015.

The Medical Center accrued income of \$900,000 in 2014 relating to the Medicare meaningful use criteria. The \$900,000 of accrued income is recorded in other receivables in the accompanying statement of net position. The Medical Center attested for these meaningful use funds during October 2014 and received an incentive payment of \$1,277,953 in December 2014. There is \$377,953 in income recorded in 2015 relating to the payment received in December 2014. The income is reported as other revenue on the accompanying statements of revenue, expenses and changes in net position. The Medical Center expects to attest for its third payment related to meaningful use during fiscal year 2016 and will record the related income during 2016. The Medical Center does not expect to receive any Medicaid EHR incentive payments.

(6) Assets limited as to use

Assets limited as to use consist of the following:

	<u>2015</u>	<u>2014</u>
Cash restricted by Board for capital improvements	\$ 26,403,462	\$ 70,118,352
Cash restricted by Board for bond principal and interest payments	2,673,366	3,024,378
Cash and cash equivalents restricted by donors	796,611	131,200
Investments restricted by donors	<u>827,528</u>	<u>820,043</u>
Assets limited as to use	\$ <u>30,700,967</u>	\$ <u>74,093,973</u>

Balances consist of cash and mutual funds at June 30, 2015 and 2014. The mutual funds are held by the Foundation, which is a discretely presented component unit of the Medical Center and a 501(c)(3) organization. Amounts are classified as noncurrent assets to the extent they are not expected to be used to satisfy current obligations.

Amounts classified as current assets will be used to make bond principal and interest payments.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

All assets limited as to use relating to the primary enterprise at June 30, 2015 and 2014 are insured by the Federal Deposit Insurance Corporation, registered or otherwise collateralized by the financial institution through the State of Tennessee Collateral Bank Pool. See Note 15 for additional information related to the Medical Center's risks with respect to its investments.

(7) Property and equipment

The major classifications and changes in property and equipment as of and for the years ended June 30, 2015 and 2014 are as follows:

	<u>Balance at June 30, 2014</u>	<u>Additions/ Transfers</u>	<u>Transfers/ Retirements</u>	<u>Balance at June 30, 2015</u>
Land	\$ 7,628,969	\$ 2,483,171	\$ -	\$ 10,112,140
Land improvements	2,383,068	-	-	2,383,068
Building and fixed equipment	137,325,639	82,958	1,184,064	138,592,661
Equipment	84,291,756	5,957,763	1,067,571	91,317,090
Equipment under capitalized leases	<u>14,621,390</u>	<u>617,126</u>	<u>-</u>	<u>15,238,516</u>
	246,250,822	9,141,018	2,251,635	257,643,475
Less allowance for depreciation and amortization:				
Land improvements	2,277,931	26,567	-	2,304,498
Building and fixed equipment	47,746,300	4,377,220	-	52,123,520
Equipment	65,980,116	6,208,915	-	72,189,031
Equipment under capitalized leases	<u>12,129,984</u>	<u>59,916</u>	<u>-</u>	<u>12,189,900</u>
Total accumulated depreciation and amortization	<u>128,134,331</u>	<u>10,672,618</u>	<u>-</u>	<u>138,806,949</u>
	118,116,491	(1,531,600)	2,251,635	118,836,526
Construction in progress, net	<u>15,059,088</u>	<u>49,817,949</u>	<u>(2,251,635)</u>	<u>62,625,402</u>
	<u>\$ 133,175,579</u>	<u>\$ 48,286,349</u>	<u>\$ -</u>	<u>\$ 181,461,928</u>

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

	Balance at June 30, 2013	Additions/ Transfers	Transfers/ Retirements	Balance at June 30, 2014
Land	\$ 7,449,198	\$ 179,771	\$ -	\$ 7,628,969
Land improvements	2,383,068	-	-	2,383,068
Building and fixed equipment	132,300,829	5,024,810	-	137,325,639
Equipment	77,293,101	7,592,634	(593,979)	84,291,756
Equipment under capitalized leases	<u>14,621,390</u>	<u>-</u>	<u>-</u>	<u>14,621,390</u>
	234,047,586	12,797,215	(593,979)	246,250,822
Less allowance for depreciation and amortization:				
Land improvements	2,249,067	28,864	-	2,277,931
Building and fixed equipment	43,686,395	4,059,905	-	47,746,300
Equipment	60,764,844	5,809,251	(593,979)	65,980,116
Equipment under capitalized leases	<u>11,374,242</u>	<u>755,742</u>	<u>-</u>	<u>12,129,984</u>
Total accumulated depreciation and amortization	<u>118,074,548</u>	<u>10,653,762</u>	<u>(593,979)</u>	<u>128,134,331</u>
	115,973,038	2,143,453	-	118,116,491
Construction in progress, net	<u>1,182,230</u>	<u>13,876,858</u>	<u>-</u>	<u>15,059,088</u>
	<u>\$ 117,155,268</u>	<u>\$ 16,020,311</u>	<u>\$ -</u>	<u>\$ 133,175,579</u>

Substantially all of the construction in progress at June 30, 2015 relates to the Vanderbilt Pediatrics Hospital expansion that was completed and opened on July 1, 2015. The remaining construction in progress at June 30, 2015 consists primarily of various projects to renovate the leased office space on the fifth and sixth floors of the Medical Center, develop certain property and upgrade accounting software. Estimated costs to complete these projects amount to approximately \$6,300,000 at June 30, 2015.

(8) Investment in joint ventures

The Medical Center has an investment in Shared Hospital Services, Inc. (S.H.S.) which provides laundry and linen services. This investment is in a joint venture in which the Medical Center owns approximately 7% at June 30, 2015 and 2014. Equity earnings are distributed based upon tons of laundry processed by S.H.S.

The Medical Center paid S.H.S. approximately \$578,000 and \$559,000 for laundry services for 2015 and 2014, respectively.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

On June 30, 2013, the Medical Center purchased a 49% ownership interest in Vanderbilt Health and Williamson Medical Center Clinics and Services, LLC (VHWMCCS). VHWMCCS owns and operates two primary care, walk-in clinics located in Williamson County, Tennessee.

On July 31, 2013, the Medical Center purchased a 20% ownership interest in Williamson Imaging, LLC, doing business as Cool Springs Imaging, LLC for \$4,500,000. In connection with this purchase and the purchase of the the 49% ownership interest in VHWMCCS discussed above, the Medical Center assumed a \$6,700,000 note payable (see Note 10).

Summary information for the joint ventures as of June 30, 2015 and 2014 and for the years then ended, is as follows:

	2015 (Unaudited)	2014 (Unaudited)
Total assets	\$ 19,351,708	\$ 16,138,790
Total liabilities	\$ 5,882,333	\$ 4,036,981
Net revenues	\$ 34,620,316	\$ 30,639,269
Net earnings	\$ 5,586,967	\$ 5,019,802
Medical Center's interest:		
Investment in joint ventures	\$ 13,956,759	\$ 13,417,236
Equity in earnings of joint ventures	\$ 1,299,933	\$ 1,466,983

(9) Williamson County ambulance service

Pursuant to terms of an agreement with the County, which has been and may continue to be renewed annually upon agreement by both parties, the Medical Center controls and operates the Williamson County Ambulance Service. In accordance with this agreement, the County made unrestricted donations to the Medical Center of \$1,943,624 in 2015 and 2014, which are included in nonoperating income in the accompanying statements of revenues, expenses and changes in net position. The agreement also provides for the Medical Center to return all related assets (as defined) of the ambulance service to the County at the end of the contract period. The net book value of assets related to the ambulance service was \$1,747,184 and \$1,653,910 at June 30, 2015 and 2014, respectively.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

(10) Long-term debt

A schedule of changes in the Medical Center's long-term debt is as follows:

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Amounts Due Within One Year
Hospital Revenue and Tax Bonds Series 2004B	\$ 1,450,000	\$ -	\$ 700,000	\$ 750,000	\$ 750,000
Hospital Revenue and Tax Bonds Series 2004A	730,000	-	730,000	-	-
General Obligation Refunding Bonds, Series 2012A	17,780,000	-	120,000	17,660,000	915,000
3.09% Note payable to bank (one-month LIBOR + 2.9%)	2,450,000	-	1,400,000	1,050,000	1,050,000
3.005% Note payable to bank	5,299,563	-	525,651	4,773,912	543,844
2.70% Note payable to bank	4,019,342	-	223,658	3,795,684	231,330
2.46% Note payable to bank	5,534,225	-	1,302,128	4,232,097	1,336,745
4.50% Note payable to bank	1,026,216	-	219,482	806,734	211,349
1.44% Note payable to bank (one-month LIBOR + 1.25%)	6,403,166	-	915,000	5,488,166	915,000
General Obligation School and Public Improvement Bonds, Series 2013	27,790,000	-	885,000	26,905,000	915,000
Premium on Series 2013 Bonds	2,146,074	-	109,587	2,036,487	109,587
2.2% Note payable to bank	-	2,572,500	173,677	2,398,823	215,640
	<u>\$ 74,628,586</u>	<u>\$ 2,572,500</u>	<u>\$ 7,304,183</u>	<u>\$ 69,896,903</u>	<u>\$ 7,193,495</u>

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Amounts Due Within One Year
Hospital Revenue and Tax Bonds Series 2004B	\$ 2,150,000	\$ -	\$ 700,000	\$ 1,450,000	\$ 700,000
Hospital Revenue and Tax Bonds Series 2004A	1,430,000	-	700,000	730,000	730,000
General Obligation Refunding Bonds Series 2012A	17,780,000	-	-	17,780,000	120,000
3.09% Note payable to bank (one-month LIBOR + 2.9%)	3,966,667	-	1,516,667	2,450,000	1,400,004
3.005% Note payable to bank	5,878,031	-	578,468	5,299,563	527,791
2.70% Note payable to bank	-	4,075,000	55,658	4,019,342	225,175
2.46% Note payable to bank	-	6,700,000	1,165,775	5,534,225	1,304,153
4.50% Note payable to bank	1,219,322	-	193,106	1,026,216	202,023
1.44% Note payable to bank (one-month LIBOR + 1.25%)	7,320,000	-	916,834	6,403,166	915,000
General Obligation School and Public Improvement Bonds, Series 2013	-	27,790,000	-	27,790,000	885,000
Premium on Series 2013 Bonds	-	2,210,000	63,926	2,146,074	109,587
	<u>\$ 39,744,020</u>	<u>\$ 40,775,000</u>	<u>\$ 5,890,434</u>	<u>\$ 74,628,586</u>	<u>\$ 7,118,733</u>

On December 1, 2004, the County issued \$15,110,000 in Hospital Revenue and Tax Bonds, Series 2004B (the Series 2004B Bonds) for the purpose of constructing improvements and renovations to and equipping of the Medical Center. Specifically, the 2004B Bonds were used for a multi-phase facility expansion and renovation project, which extended over several years and was substantially completed in 2007. The remaining Series 2004B Bonds bear interest at 4.000% and are due through May 1, 2016.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

On June 1, 2004, the County issued \$15,110,000 in Hospital Revenue and Tax Bonds, Series 2004A (the Series 2004A Bonds) for the purpose of constructing improvements and renovations to and equipping of the Medial Center. Specifically, the 2004A Bonds were also used for the multi-phase facility expansion and renovation project. The remaining Series 2004A Bonds bore interest at 4.125% became due and were paid on May 1, 2015.

In June 2012, the County issued \$17,780,000 in General Obligation Refunding Bonds, Series 2012A (the Series 2012A Bonds) for the purpose of refunding a portion of the Series 2004B and 2004A Bonds (\$8,790,000 of the Series 2004B Bonds and \$8,990,000 of the Series 2004A Bonds). The Series 2012A Bonds bear interest at rates ranging from 2.000% to 4.000% and are due through May 1, 2025. The first principal payment was due May 1, 2015.

The Series 2004A, Series 2004B, and Series 2012A Bonds are collateralized by a pledge of the net revenues of the Medical Center and security interests in accounts receivable and certain other assets. In the event of a deficiency, the Bonds are payable from unlimited ad valorem taxes levied on all taxable property within the County. The trust indentures related to the Bonds contain certain covenants and restrictions, involving the issuance of additional debt and income available for debt service.

In November 2013, the County issued \$30,000,000 in General Obligation School and Public Improvement Bonds, Series 2013 for the purpose of funding the Vanderbilt Pediatrics Clinic expansion project pursuant to a resolution of the County Commission. The bonds were issued at a premium resulting in future principal payments of \$27,790,000. The bond premium in the amount of \$2,210,000 is amortized as a reduction to interest expense over the term of the bonds. The Series 2013 Bonds bear interest at rates ranging from 3.0% to 5.0% and are due through May 1, 2034, with the first payment due May 2015.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

The Medical Center also issues notes payable to finance certain property and equipment additions. The 3.09% note payable to bank represents amounts drawn under a \$10,000,000 line of credit, which converted to a term loan on March 1, 2005, with monthly principal and interest payments based on a 20 year amortization, but maturing in March 2016. This loan is secured by a subordinated pledge of the Medical Center's net revenues and accounts receivable. The 3.005% note payable to bank represents amounts drawn under a \$7,500,000 construction loan, which converted to a term loan on December 1, 2008 and was amended again in November 2013 to extend monthly principal and interest payments in the amount of \$56,631 through November 2016. This loan is secured by security interests in accounts receivable, excluding Medicare payments. The 2.70% note payable to bank is payable in monthly amounts of principal and interest ranging from \$18,716 to \$19,871 through March 2017 with all outstanding principal and interest payments due in April 2017 and is secured by certain accounts receivable of the Medical Center. The 2.46% note payable to bank is payable in monthly amounts of principal and interest ranging from \$103,306 to \$112,660 through July 2016 with all outstanding principal and interest payments due in August 2016 and is secured by certain personal property of the Medical Center. The 4.50% note payable to bank is payable in monthly amounts of principal and interest of \$20,390 through February 2019 and is secured by the Medical Center's deposit accounts and security interests in accounts receivable, excluding Medicare payments. The 1.44% note payable to bank was refinanced in July 2013 and bears interest at a variable rate based on the bank's index rate (LIBOR) plus 1.25%, is due in monthly installments of \$76,250 plus interest through August 2016 and is secured by accounts receivable. The 2.2% note payable to bank is payable in monthly principal and interest payments of \$23,902 based on a 20 year amortization, and matures on October 9, 2020. In November 2017, the interest rate will be adjusted to an annual rate equal to 1.3 basis points in excess of the weekly average yield on United States Treasury securities adjusted to a constant maturity of three years. The interest rate will never exceed 3% and all outstanding principal and interest is due on October 9, 2020. The loan is secured by the encumbering property.

The debt service requirements at June 30, 2015 related to long-term debt are as follows:

<u>Year</u>	<u>Principal Maturities or Sinking Fund Requirements, net of Bond Premium</u>	<u>Interest</u>
2016	\$ 7,193,495	\$ 2,142,000
2017	18,489,352	1,753,000
2018	3,377,143	1,494,000
2019	3,403,603	1,356,000
2020	3,391,683	1,221,000
2021 - 2025	17,667,051	4,091,000
2026 - 2030	8,447,934	1,932,000
2031 - 2034	<u>7,926,642</u>	<u>376,000</u>
	<u>\$ 69,896,903</u>	<u>\$ 14,365,000</u>

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

The Medical Center capitalized interest relating to construction projects in the amount of \$1,076,000 and \$667,000 in 2015 and 2014, respectively.

(11) Other receivables

Other current and long-term receivables at June 30, 2015 and 2014 include receivables from certain physicians, Medicare meaningful use funds and donors. Receivables from certain physicians which were made as part of the Medical Center's recruitment program to attract physicians to the Medical Center's service area amounted to \$62,694 and \$172,806 at June 30, 2015 and 2014, respectively. Under terms of the related agreements, such receivables will be forgiven over a period of time, generally over three years, as long as the physician continues to practice in the area. The Medical Center is amortizing these loans over the physicians' service commitments. There were no Medicare meaningful use funds as of June 30, 2015 in other receivables. Medicare meaningful use funds amounted to \$900,000 at June 30, 2014 (see Note 5). Contributions receivable amounted to \$1,353,061 and \$880,000 at June 30, 2015 and 2014, respectively. The Foundation solicits pledges of support from board members and others for contributions to be used for specific purposes. The pledges are discounted when recorded to reflect the present value of expected future collections due after one year. Contributions receivable are reported as restricted net assets in the accompanying financial statements and are scheduled to be received as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 430,000	\$ 250,000
Receivable in one to five years	<u>1,467,000</u>	<u>1,000,000</u>
	1,897,000	1,250,000
Less allowance for uncollectible pledges	(380,000)	(250,000)
Less discount	<u>(163,939)</u>	<u>(120,000)</u>
	<u>\$ 1,353,061</u>	<u>\$ 880,000</u>

(12) Employees' retirement plan

The Medical Center participates in a tax sheltered annuity program (the "Plan") for substantially all of its employees that have one or more years of service, more than one thousand scheduled hours, and have attained the age of 21. Benefits expense includes approximately \$1,705,000 and \$2,345,000 in 2015 and 2014, respectively, related to the Medical Center's share of expenses for contributions and service charges on tax-sheltered annuities for covered employees. The Medical Center's contribution percentage is 3% of covered wages for non-management employees, 7% for management employees and 10% for executives as of June 30, 2015. The Medical Center also matches employee contributions up to 2% of compensation. Employees may make voluntary contributions so long as the total amount contributed by the employee does not exceed 25% of the employee's wages or maximum amounts as provided by law. The Plan's investments at June 30, 2015 and 2014 consist of various mutual fund and fixed income investments.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

(13) Functional expenses

The following is a summary of management's functional classification of operating expenses:

	<u>2015</u>	<u>2014</u>
Healthcare services	\$ 92,523,155	\$ 90,706,351
General and administrative	<u>68,753,774</u>	<u>67,691,113</u>
	<u>\$ 161,276,929</u>	<u>\$ 158,397,464</u>

(14) Leases

The Medical Center leases equipment and office space under capital and operating lease agreements. Future minimum lease payments under capital leases and noncancellable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2015 are as follows:

<u>Year</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2016	\$ 231,655	\$ 1,408,000
2017	212,760	1,212,000
2018	106,380	1,047,000
2019	-	924,000
2020	<u>-</u>	<u>710,000</u>
Total future minimum lease payments	550,795	\$ <u>5,301,000</u>
Less amounts representing interest	<u>(19,115)</u>	
Present value of net minimum lease payments	<u>\$ 531,680</u>	

Lease expense for the years ended June 30, 2015 and 2014 was \$1,797,675 and \$2,389,184, respectively.

A schedule of changes in the Medical Center's capital leases is as follows:

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$ 160,231	\$ 501,215
Additions	617,126	-
Reductions	<u>(245,677)</u>	<u>(340,984)</u>
Balance at end of year	531,680	160,231
Current portion of capital lease obligations	<u>218,031</u>	<u>(160,231)</u>
Capital lease obligations, excluding current portion	<u>\$ 313,649</u>	<u>\$ -</u>

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

The Medical Center generates rental income primarily from operating leases of two medical office buildings. Rental revenue was \$1,977,638 and \$2,131,489 in 2015 and 2014, respectively, and is included in other revenue.

Approximate future minimum rental revenue under noncancellable leases at June 30, 2015 is as follows:

<u>Year</u>	
2016	\$ 1,431,000
2017	931,000
2018	360,000
2019	23,000
2020	<u>23,000</u>
	<u>\$ 2,768,000</u>

Future minimum rental payments generally include minor annual increases for inflation.

(15) Commitments and contingencies

Medical malpractice liability is limited under provisions of the Tennessee Governmental Tort Liability Act (T.C.A. 29-20-403, et seq.), which removed tort liability from governmental entities which, in the opinion of management and legal counsel, includes the Medical Center. In addition to requiring claims to be made in conformance with this Act, special provisions include, but are not limited to, special notice of requirements imposed upon the claimant, a one year statute of limitations, and a provision requiring that the governmental entity purchase insurance or be self-insured within certain limits. This Act also prohibits a judgment or award exceeding the minimum amounts of insurance coverage set out in the Act (\$300,000 for bodily injury or death of any one person and \$700,000 in the aggregate for all persons in any one accident, occurrence or act) or the amount of insurance purchased by the governmental entity.

The Medical Center maintains commercial insurance on a claims-made basis for medical malpractice liabilities. Insurance coverages are \$1,000,000 per claim and \$3,000,000 in the aggregate annually with a deductible of \$100,000 per claim. In addition, the Medical Center maintains an annual aggregate excess liability policy. Management intends to maintain such coverages in the future. During the past five fiscal years, no settlements of malpractice claims have exceeded insurance coverage limits.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

There are known incidents occurring through June 30, 2015 that have resulted in the assertion of claims, although other claims may be asserted, arising from services provided to patients in the past. Management of the Medical Center is of the opinion that such liability, if any, related to these asserted claims will not have a material effect on the Medical Center's financial position. No amounts have been accrued for potential losses related to unreported incidents, or reported incidents which have not yet resulted in asserted claims as the Medical Center is not able to estimate such amounts.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse, and, most recently under the provisions of the Health Insurance Portability and Accountability Act of 1996, matters related to patient records, privacy and security. Recently the government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Medical Center is self-insured for medical and other healthcare benefits provided to its employees and their families. The Medical Center maintains reinsurance through a commercial excess coverage policy which covers annual individual employee claims paid in excess of \$100,000 for the plan year. Contributions by the Medical Center and participating employees are based on actual claims experience. A provision for estimated incurred but not reported claims has been provided in the accompanying financial statements. Total expenses under this program amounted to approximately \$9,136,000 and \$8,893,000 for the years ended June 30, 2015 and 2014, respectively.

The Medical Center is exposed to risks related to its cash and investments, a portion of which is included in assets limited as to use, although certain risks such as credit risk are mitigated due to the Medical Center's practice of maintaining investments primarily in cash and cash equivalents. The Medical Center's investment policy includes certificates of deposit, bank demand and savings accounts, and investment vehicles of the United States Government. The Medical Center is subject to investment rate risk, the risk that changes in interest rates will adversely affect the fair value of an investment; however, the Medical Center's cash and investments are short-term in nature. The Medical Center's investment policy does not specifically address custodial credit risk, the risk that in the event of failure of a counterparty to a transaction, the Medical Center will not be able to recover the value of the investment or any collateral securities that are in the possession of an outside party, or concentration of credit risk, the risk that the amount of investments the Medical Center has with any one issuer exceeds 5% of its total investment. Substantially all of the Medical Center's cash and assets limited as to use are with a financial institution.

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WILLIAMSON COUNTY HOSPITAL DISTRICT
(a component unit of Williamson County)

Notes to the Financial Statements

June 30, 2015 and 2014

Management continues to implement policies, procedures, and compliance overview organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 and other government statutes and regulations. The Medical Center's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time.

The Centers for Medicare and Medicaid Services ("CMS") have implemented a Recovery Audit Contractors ("RAC") program. The purpose of the program is to reduce improper Medicare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare billings are proper and adequate support is maintained, certain aspects of Medicare billing, coding and support are subject to interpretation and may be viewed differently by the RAC auditors. The Medical Center has not recorded any potential losses as of June 30, 2015; however, the amount of actual losses incurred could differ materially from this estimate.

In March 2010, the Patient Protection and Affordable Care Act was signed into law, along with the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act"). The passage of the Affordable Care Act has resulted in comprehensive reform legislation that is expected to expand health care coverage to millions of currently uninsured people beginning in 2014 and provide for significant changes to the U.S. health care system over the next ten years. To help fund this expansion, the Affordable Care Act outlines certain reductions in Medicare reimbursements for various health care providers, as well as certain other changes in Medicare payment methodologies. This comprehensive health care legislation provides for extensive future rulemaking by regulatory authorities, and also may be altered or amended.

Due to the complexity of the Affordable Care Act's laws, lack of current implementation regulations and interpretive guidance, and response by CMS and other participants in the health care industry to the choices available under the law, it is difficult for the Medical Center to predict the full impact of the law on the Medical Center's operations. Additionally, pending legislative proposals which may be adopted may affect the Medical Center. The provisions of the legislation and other regulations implementing the provisions of the Affordable Care Act may materially impact the Medical Center through increased costs, decreased revenues, and additional exposure to potential liability.



Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

The Board of Trustees
Williamson County Hospital District
Franklin, Tennessee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Williamson County Hospital District (Williamson Medical Center) (the "Medical Center"), a component unit of Williamson County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements, and have issued our report thereon dated September 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Medical Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that would be required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LBMC, PC

Brentwood, Tennessee
September 25, 2015

Attachment C. Orderly Development-1

Relevant Relationships

PAYOR	PRODUCT
Aetna	HMO
Aetna	PPO
Aetna	Medicare
Aetna	Workers Comp
Americhoice (UHC)	TennCare
Americhoice (UHC)	Secure Plus
Amerigroup	TennCare
Beech Street	PPO Rental
BCBS	Blue Preferred
BCBS	Blue Select
BCBS	BlueCare
Bluegrass Family Health	Commercial
ChoiceCare	ChoiceCare PPO
ChoiceCare	Medicare Adv.
ChoiceCare	Exchange Network
CIGNA Healthcare	HMO
CIGNA Healthcare	OPEN ACCESS
CIGNA Healthcare	LOCAL PLUS
CIGNA Healthcare	PPO
CIGNA Healthcare	WORKERS COMP
Corvel	PPO Rental
Corvel	Workers Comp
Employers Health Ntwk	PPO Rental
First Health/CCN	PPO Rental
HealthSpring	HMO
HealthSpring	Medicare Adv.
HealthStar	PPO
Humana	Commercial
Humana	Med Adv
Multiplan / PHCS	PPO Rental
Prime Health Services	
TRIWest	VA PCCC
United Healthcare	Commercial
United Healthcare	TennCare
USA Healthnetwork	PPO Rental
Windsor Health Plan	Medicare Adv

Attachment C. Orderly Development 7(c)

License

Board for Licensing Health Care Facilities



State of Tennessee

DEPARTMENT OF HEALTH

0000000128

No. of Beds 0185

This is to certify, that a license is hereby granted by the State Department of Health to

WILLIAMSON COUNTY HOSPITAL DISTRICT to conduct and maintain a

Hospital

WILLIAMSON MEDICAL CENTER

Located at

4321 CAROTHERS PARKWAY, FRANKLIN

County of

WILLIAMSON

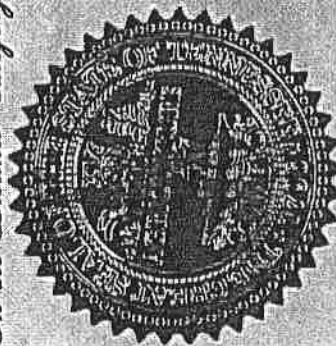
, Tennessee.

This license shall expire APRIL 13, 2016, *and is subject*

to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.

In Witness Whereof, we have hereunto set our hand and seal of the State this 11TH *day of* MAY, 2015.

In the Distinct Category(ies) of: GENERAL HOSPITAL
PEDIATRIC PRIMARY HOSPITAL



By

James J. Davis, MPH

DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By

John J. Davis, MD

COMMISSIONER

Attachment C. Orderly Development 7(d)

Licensure Inspection and Plan of Correction



STATE OF TENNESSEE
DEPARTMENT OF HEALTH
WEST TENNESSEE HEALTH CARE FACILITIES
2975 C HIGHWAY 45 BYPASS
JACKSON, TENNESSEE 38305

June 9, 2010

COPY

Mr. Dennis Miller, Administrator
Williamson Medical Center
4321 Carothers Parkway
Franklin, TN 37067

RE: Licensure Survey

Dear Mr. Miller:

We are pleased to advise you that no deficiencies were cited as a result of the licensure survey completed at your facility on **June 3, 2010**. **The attached form is for your files.**

If this office may be of any assistance to you, please do not hesitate to call (731)984-9711.

Sincerely,

P. Diane Carter

P. Diane Carter, RN, LNCC
Public Health Nurse Consultant 2

fxw
PDC/TJW

Enclosure

PRINTED: 06/30/2012
FORM APPROVED

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TNP531128	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED 06/03/2010
NAME OF PROVIDER OR SUPPLIER WILLIAMSON MEDICAL CENTER		STREET ADDRESS, CITY, STATE, ZIP CODE 4321 CAROTHERS PARKWAY FRANKLIN, TN 37067		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 002	1200-8-1 No Deficiencies This Rule is not met as evidenced by: This facility complies with all requirements for participation in the Acute Care Hospital facilities program reviewed during the licensure survey conducted 6/1/10 - 6/3/10. No deficiencies were cited.	H 002		

Division of Health Care Facilities

TITLE

(X6) DATE

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

STATE FORM

6000

MR7M11

If continuation sheet 1 of 1

SUPPLEMENTAL #1

December 23, 2015

VIA HAND DELIVERY

Jeff Grimm
HSDA Examiner
Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application CN1512-067
Williamson Medical

Dear Mr. Grimm:

Responses to the questions in your letter dated December 21, 2015, are below. Please let us know if you need additional information.

1. Section A, Applicant Profile, Item 1 and Item 6

Item 1 - Review of the 12/10/15 published LOI for the Certificate of Need application revealed that the address of the applicant's existing outpatient imaging center is 4601 Carothers Parkway in Franklin in lieu of the 4321 address in Item A. Please clarify. If in error, please revise and submit a replacement page labeled 1-R.

Response: The address of the applicant, Williamson Medical Center, is 4321 Carothers Parkway. The address of WMC's outpatient imaging center, which is licensed as part of the hospital is 4601 Carothers Parkway. Based on the format of the application form, the applicant believes the addresses are correctly stated in the original application.

Item 6 - The deed in Attachment A.6 documenting the applicant's ownership of the 5.7 acre property that the existing outpatient imaging center is located on is noted. However, no address appears to be included in the documentation provided. Please confirm the address of the property.

Response: WMC owns under a condominium arrangement the first floor of the building at 4601 Carothers Parkway. This space is occupied by the outpatient imaging center and

the breast health center (see discussion below for more details). The deed at Attachment A.6 in the original application is for condominium space purchased in 2011 that is now occupied by the breast center. The part of the first floor that is occupied by the outpatient imaging center was initially leased and then purchased in 2009. The deed for that space is attached as Exhibit A.

As explained below, the original address for the building where the outpatient imaging center is located was 3001 Carothers, the address used in CN0706-015A. Carothers Parkway was extended to the north after CN0706-015A was approved in 2007, at which times the addresses assigned to buildings on Carothers Parkway changed.

Based on clarification of the outpatient imaging center's address it appears this is a different facility from the provider based outpatient imaging center at 3001 Carothers Parkway approved in Williamson Medical Center, CN0706-051A. Please clarify. If no longer in operation, please discuss developments leading to use of the hospital's outpatient imaging center in this project.

Response: *The original address for the outpatient imaging center, before the extension of Carothers Parkway, was 3001 Carothers Parkway. In other words, the facility approved in CN706-051A is the same facility and location as the outpatient imaging center described in the current application. This facility simply the address 4601 assigned to it in July of 2007, after Carothers Parkway was extended.*

2. Section B, Applicant Profile, Item 13 and Section C, Economic Feasibility, Item 6.B

The response is noted. Please describe the arrangement for MRI interpretation services by licensed radiologists of the hospital's medical staff. At a minimum, please address the following

- 1) Hospital employee or contracted professional service. If by contract, please submit a copy of the contractual agreement.
- 2) Board Certification status of radiologists
- 3) Arrangements for billing of professional fees for MRI interpretation services.
- 4) If separate from hospital billing, confirmation that radiologists participate in Medicare and same TennCare MCO plans as hospital.

Response:

- 1) *WMC has contract with Advanced Diagnostic Imaging, PC, a group of licensed radiologists to provide professional services at the hospital, which includes the outpatient imaging facility. A copy of the contract is attached as Exhibit B.*

- 2) *All of the radiologists in Advanced Diagnostic Imaging, PC, are board certified in diagnostic radiology and several members of the group have a subcertification in neuroradiology or vascular and interventional radiology.*
- 3) *Tennessee law precludes hospitals from employing radiologists. The radiologists in Advanced Diagnostic Imaging bill for their professional services as independent providers.*
- 4) *The radiologists who interpret images at WMC (including the imaging center) participate in Medicare and the same TennCare MCO plans as WMC.*

3. Section B, Project Description, Item II (Executive Summary of the Project)

In addition to the reasons discussed on pages 4 and 5 for locating the hospital's proposed MRI unit in its freestanding outpatient imaging center adjacent to the hospital campus, what benefits will the additional proposed MRI unit provide to the applicant's significant expansion initiatives since Calendar Year 2000 such as the \$67.6 million project approved in its outstanding certificate of need, CN1210-048A? In your response, please include a progress update for the outstanding certificate of need.

Response: *The project approved under CN1210-048A has been completed except for the surgery component, which will be completed in February of 2016. The project will likely contribute to decreased outmigration of patients to Davidson County, which in turn, could result in increased MRI utilization at WMC. In addition, the MRI proposed in this application will complement the enhanced pediatric services authorized by CN1210-048A. Currently, WMC does not provide MRI studies on children who cannot independently remain in the MRI suite without sedation, but WMC may offer this service as WMC's pediatric services in general grow. The addition of an MRI at the outpatient imaging center will result in additional capacity for the MRI at the main campus. The additional capacity will make it easier to accommodate sedated children, who require extended time on the schedule to provide these studies safely.*

What impact, if any, could other providers without MRI service have to the hospital's provision of MRI services, such as the Scott Hamilton Proton Therapy Center approved in CN1502-004A and the rehab hospital approved in HealthSouth Rehabilitation of Williamson County, CN1012-059A? Please discuss potential benefits such as the MRI service's contribution to patient continuity of care and improved patient access.

Response: *WMC plans to contract with the HealthSouth Rehabilitation Hospital to provide imaging services to the patients of the rehabilitation hospital. While this may result in some increased MRI utilization, WMC is unable to quantify the amount of increased MRI volume, if any, attributable to this arrangement. WMC does not foresee that the Scott Hamilton Proton Center will have any effect on MRI utilization at WMC.*

In general, the new MRI unit will improve access to care in Williamson County, and contribute to a reduction in outmigration for MRI and other services.

HSDA Equipment Registry records reflect the applicant has one (1) existing registered 1.5 Tesla MRI unit. However, review of HSDA approved certificate of need projects show approval for 2 MRI units - the fixed MRI unit in CN9110-065A and the additional 1.5 Tesla MRI unit in CN0104-022A located in a small modular building next to the hospital imaging department. Based on the applicant's CON history for MRI, please provide a brief description that offers some background about the changes leading to the hospital's use of only 1 MRI unit. In your response, please also clarify why the modular building MRI in CN0104-022A has not been voluntarily surrendered and returned to HSDA.

Response: *The modular MRI approved under CN9110-065A replaced the mobile MRI service that was previously at WMC. The modular building MRI was subsequently relocated to space inside the hospital several years ago. WMC has never operated more than one MRI unit. WMC is unable to locate certificate of need CN9110-065A, but in any event, the project authorized by CN9110-065A was completed and the certificate of need no longer exists as a matter of law (T.C.A., section 68-11-1607(g)).*

Please also provide some additional background insight about the hospital medical staff such as current number of licensed physician members and medical specialties.

Response: *Attached as Exhibit C is a list of specialties represented on the medical staff and number of physicians per specialty.*

1. Section B, Project Description, Item II.A. and Item II.E

Item II.A – Please provide some more detail about the hospital's existing 4-story outpatient imaging center, including year built, total building square feet, designated floor and approximate square feet of location for proposed 1.5 Tesla MRI unit and the imaging services currently provided at the facility. Please also briefly describe the building's use for other types of activities not related to imaging services.

Response: *WMC's outpatient imaging center is located on the first floor of the building at 4601 Carothers Parkway. This is the only portion of the building owned or occupied by WMC. The outpatient imaging center occupies approximately 11,700 square feet of space, and the imaging modalities currently provided include CT, ultrasound, mammography, bone density testing, x-ray, EKG, and stereotactic services. The first floor also includes the breast health center, which is physician's office, and this center occupies approximately 2,500 square feet. The remaining 3 floors in the building are owned by unrelated parties and leased to physician offices.*

Item II.E.1 - The description is noted. Please also identify the name of manufacturer, model type and Tesla strength.

Response: General Electric Optima MR450w 1.5T MR System – EX Platform.

Did the applicant consider adding a 3.0 Tesla model in lieu of another 1.5 Tesla unit? Please describe the reasons for not increasing to a higher field strength at this time.

Response: The radiologists at Advanced Diagnostic Imaging recommended the 1.5 Tesla unit, based on their professional judgment regarding the needs of patient and referring physicians, and taking into account additional cost of a 3.0 Tesla unit compared with capabilities of the unit.

Please identify the current operating hours of the hospital's MRI service and the operating hours at the outpatient imaging center that will house the proposed additional unit. In your response, please identify and discuss any differences that might apply.

Response: The hours of operation for the outpatient imaging center are 7:00 AM to 5:00 PM, Monday through Friday. The hours of operation for the main hospital's MRI are 5:30 AM to 10:30 PM, Monday through Friday and on call after hours and Saturday and Sunday. The difference in operating hours is due to the use of the hospital's main campus MRI for emergency services and inpatients, compared to the outpatient use of the imaging facility's proposed MRI unit.

With respect to the hospital's current MRI operating hours, has the schedule been expanded to reduce the current 2 day backlog noted elsewhere in the application? Please describe the measures taken over the most recent 12-month period to increase the operating hours of the MRI service. In your response, please also the length of time in months the MRI service has experienced a 2 day backlog.

Response: WMC has not taken any steps to increase the schedule described above, because such an increase would have little if any effect on backlog for scheduling outpatients. Very few if any outpatients would find it convenient to schedule an MRI before 5:30 a.m. or after 10:30 p.m. In addition, expansion of the schedule at WMC would not alleviate the conflict that occurs between inpatient needs and regularly scheduled outpatients.

Item II.E.3 - The vendor's quote documenting the cost of the proposed additional MRI unit has an expiration date of December 31, 2015. Please provide a revised quote or addendum that will be valid on the date of the hearing of the application by the HSDA Board Members.

Response: The revised quote is attached as Exhibit D. Please note that the revised quote contains an expiration date of March 20, 2016, but Exhibit D also includes an addendum to the quote extending the expiration date to March 31, 2016.

2. Section C, Need, Item 1 (Project Specific Criteria)

Item 1 - To complement the applicant's utilization identified on pages 11 and 12, please complete the table below.

Response:

	2012	2013	2014	% change '12-'14	2015 (estimated)	Projected Year 1	Projected Year 2
MRI Procedures	4,082	4,141	4,178	2.4%	4,648	2,325	2,450
as a % of 2,880 MRI standard	142%	144%	145%	2.1%	161%	81%	85%

Item 2 – Please complete the table below showing patient origin in 2014 and Year 1 with volumes by county of residence.

Response:

Use of Applicant's MRI Service by Residents 2-County PSA

County of Residence	Resident Procedures Performed by Applicant 2014	Resident Procedures as a % of Applicant's Total Procedures 2014	Total MRI Procedures by County Residents at all Provider Sites in County 2014
Williamson	2,226	53%	18,090
Maury	646	15%	9,953
Total	2,872	68%	28,043

Item 6.E – Please provide a copy of the ACR accreditation award noted in the response.

Response: Attached as Exhibit E.

3. Section C, Need, Item 5 (Historical MRI Utilization in Applicant's Primary Service Area)

The table is noted. Please expand the information provided by adding the columns indicated in the table below. For assistance or questions, please contact Alecia Craighead, Stat III at 615-253-2782.

Response:

Utilization of Existing MRI Providers in Applicant's 5-County PSA

Jeff Grimm
December 23, 2015
Page 7

December 23, 2015

2:46 pm

Provider Name by County	Type (PO, ODC, Hospital, HODC, RPO, H-Imaging)	Current # of Units (specify if mobile)	Distance from Applicant (in miles)	2012	2013	2014	% Change MRI Procedures '12-'14	Use by Residents of 2-County PSA in 2014
Williamson				14,791	14,587	14,067	-4.9%	
Cool Springs Imaging	ODC	1	2.8 miles	4,308	4,552	4,918	14.2%	3,149
Premier Radiology Cool Springs	ODC	2	2.6 miles	3,683	3,151	3,094	-16%	2,178
Vanderbilt Bone and Joint	PO	1	2.1 miles	2,728	2,743	1,877	-31.2%	1,131
Williamson Medical Center	Hospital	1	.4 miles	4,082	4,141	4,178	2.4%	2,872
Maury				10,304	10,548	11,505	11.7%	
Maury Regional Medical Center	Hospital	3	30.1 miles	6,083	6,109	6,606	8.6%	3,529
Mid Tennessee Bone and Joint Clinic, PC	PO	1	30.2 miles	1,909	2,047	2,259	18.3%	993
Mobile MRI Medical Services, LLC – Columbia	RPO	1 Mobile (Part)	30.3 miles	(1-2/week) 415	(1-0/week) 0	(1-0/week) 0		0
Spring Hill Imaging Center (Maury Regional Imaging Center)	HODC	1	17.7 miles	1,897	2,392	2,640	39.2%	1,937

Source: HSDA Equipment Registry. In the course of preparing this application, WMC realized that the volumes it had reported to the HSDA are incorrect. The chart contains the correct numbers for WMC, and WMC has been in touch with Agency staff to correct the Registry numbers.

4. Section C, Need, Item 6 (Applicant's Historical and Projected Utilization)

The response is noted. Does the 2% per year conservative growth projection include potential growth due to use by patients of new providers in the community, such as the rehab hospital and proton therapy center providers noted in question 3, above? Please clarify.

Response: For purposes of conservative planning, the 2% growth projection does not include increased utilization as discussed in the response to question 3. above.

5. Section C, Economic Feasibility Items 1 (Project Costs Chart)

The chart is noted. Please provide a breakout of all MRI equipment & related costs included in the \$1,867,523 cost shown in Line A.7 of the chart. As noted, previously, please provide a revised vendor MRI equipment price quote that will be valid on the date of the hearing of the application.

Response: As stated in the vendor quote, the initial cost of the MRI will be \$1,274,518. The total cost of maintenance for years 2-5 will be \$593,005, thus the total MRI cost for certificate of need purposes is \$1,867,523. The revised quote is included at Exhibit D.

Please identify the actual out of pocket cash outlay the applicant expects to support the start-up costs of the project.

Response: The total out of pocket cash outlay expected to support the start-up costs of the project is \$1,808,464. This includes \$45,000 for the architectural and engineering fees, \$30,000 for legal, administrative fees, \$20,500 for a contingency fund, \$409,554 for the build-out, \$1,274,519 for the MRI fixed equipment, \$23,500 for the signage/low voltage, and \$5,391 for the CON filing fee.

6. Section C, Economic Feasibility, Item 4. (Historical and Projected Data Charts)

Historical Data Chart (Whole Hospital) – Please provide some insight for the following changes from the applicant's FY2013-FY2015:

Increase in patient days (approximately 4%)

Increase in contractual adjustments (17%)

Decrease in charity care (4%)

Given the hospital's non-profit status, what accounts for the amounts shown for taxes in Line D.4 of the chart?

Response: The increase in adjusted patient days is attributable to 9.4% increase in admissions and increased utilization of ancillary services, all of which are due to (1) population growth, (2) reduction in uninsured population because of the Affordable Care Act, and (3) reduced outmigration of service area patients to Davidson County.

Contractual adjustments increased from 2013-2015 by 14.7%, which is substantially in line with the overall revenue increase of 13.2% for the same period. The modestly higher percentage of contractual adjustments is likely attributable to an increase in gross charges implemented in 2015.

The decrease in charity care is attributable to increased availability of insurance through the Affordable Care Act.

The taxes shown on the Historical Data Chart are for medical office buildings that are owned by WMC and leased to physicians. These buildings are not exempt from property taxes.

Please provide a Historical Data Chart for the hospital's MRI service. In your response, please identify the number of MRI procedures provided free of charge to charity patients during the most recent 12-month fiscal year period.

Response: *The Historical Data Chart for MRI service is attached as Exhibit F. In FY 2015, WMC provided 13 MRIs for which payment was waived completely.*

Projected Data Chart – Expenses for professional fees for MRI interpretation services by radiologists appear to be missing from the amounts shown in the detail shown on page 25 for Line D.9 of the chart (Other Expenses). Please explain.

Response: *The radiologists bill directly for their professional services, and there is no expense to WMC for their services.*

If in error, please revise the Projected Data Chart and submit in a replacement page labeled as 25-R. Note: even if there are no projected costs for Management Fees, note as "None" in the revised Projected Data Chart.

Response: *Attached as Exhibit G is a revised Projected Data Chart (page 25-R) that includes a line for "Management Fees." In the course reviewing the Projected Data Chart, the Applicant realized that the chart in the original application contains typographical errors. Revenue was incorrectly entered on the "inpatient" line and the total gross revenue in year 1 was misstated. A revised page 24 is also included with Exhibit G.*

7. Section C, Economic Feasibility, Item 9

Please show the percentages by payor mix for the hospital's MRI service in 2015 and Year 1 of the project. By completing the table below.

Response:

Applicant's MRI Service Payor Mix, 2015 and Year 1

Payor Source	Gross Revenue 2015	Gross Revenue Year 1	as a % of Total Gross Revenue Year 1	Average Gross Charge per MRI Procedure Year 1
Medicare	\$4,809,407	\$2,500,745	41%	\$2,522
TennCare	304,468	158,584	3%	2,532
Managed care	2,042,016	1,049,093	17%	2,528
Commercial	4,229,988	2,177,478	36%	2,641
Self-Pay	233,738	121,988	2%	2,657
Other	188,746	91,491	2%	2,560
Total	\$11,848,263	\$6,099,379	100%	\$2,623

8. Section C, Orderly Development, Item 3

The staffing table is noted. Please address the staffing by licensed radiologists for the MRI service.

Response: One or more radiologists are currently on site at the outpatient imaging center, and the addition of the proposed MRI will not require additional radiologist staff.

9. Section C, Orderly Development, Item 7.C

The accreditation by the Joint Commission is noted. When does the accreditation expire? In your response, please also provide a copy of the most recent survey by the Joint Commission.

Response: The most recent Joint Commission accreditation is attached as Exhibit H. WMC was surveyed by the Joint Commission in October of 2015, and it will be resurveyed within 3 years.

Very truly yours,

BUTLER SNOW LLP



Dan H. Elrod

clw
Attachments

December 23, 2015**2:46 pm****AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF DavidsonNAME OF FACILITY: William Medical Center, CN 1512-067

I, Dan Elrod, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

[Signature]
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 23rd day of December, 2015,
witness my hand at office in the County of Davidson, State of Tennessee.

[Signature: Stephen H. Ramsey]
NOTARY PUBLIC

My commission expires May 6, 2019.

HF-0043

Revised 7/02

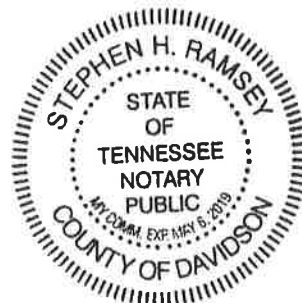


Exhibit C

December 23, 2015**2:46 pm**

Privilege Form Name	Totals per Specialty
Allergy & Immunology	4
Anatomic Pathology & Clinical Pathology	24
Anesthesiology	76
Audiology	3
Cardiovascular Disease	27
Certified Registered Nurse Anesthetist - CRNA	63
Community Staff - Membership Only/No Admitting	
Dermatology	8
Emergency Medicine	11
Endocrinology, Diabetes & Metabolism	4
Family Medicine	16
Gastroenterology	4
General Surgery	12
Gynecology	2
Hematology	1
Hematology and Medical Oncology	7
Infectious Disease	8
Internal Medicine	35
Interventional Cardiology	4
Maternal & Fetal Medicine	10
Medical Genetics	1
Medical Oncology	6
Neonatal Nurse Practitioner	23
Neonatal-Perinatal Medicine	8
Nephrology	24
Neurological Surgery	10
Neurology	18
NP-Women's Health (NPWH)	1
Nurse Practitioner	5
Nurse Practitioner - Emergency Medicine	2
Obstetrics & Gynecology	17
Ophthalmology	6
Oral & Maxillofacial Surgery	8
Orthopaedic Surgery	33
Orthopedic Technician	1
Otolaryngology	16

December 23, 2015**2:46 pm**

Pain Medicine	3
Pediatric Cardiology	2
Pediatric Emergency Medicine	11
Pediatric General Surgery	2
Pediatric Sports Medicine	1
Pediatric Urology	7
Pediatrics	69
Physician Assistant	12
Physician Assistant - Emergency Medicine	2
Plastic Surgery	9
Plastic Surgery Within the Head and Neck	5
Podiatric Medicine & Surgery	3
Psychiatry	1
Pulmonary Disease	4
Radiation Oncology	8
Radiology	36
Registered Nurse	2
Reproductive Endocrinology	1
Rheumatology	4
Surgery of the Hand	1
Thoracic Surgery	3
Urogynecology	2
Urology	6
Vascular & Interventional Radiology	1
Vascular Surgery	4
Total	697

Exhibit E



American College of Radiology

Magnetic Resonance Imaging Services of

Williamson Medical Center

**4321 Carothers Road
Franklin, Tennessee 37067**

were surveyed by the
Committee on MRI Accreditation of the
Commission on Quality and Safety

The following magnet was approved

General Electric 1.5 HDX TWINSPEED 2001

For

Head, Spine, Body, MSK, MRA

Accredited from:

November 11, 2014 through March 13, 2018

A handwritten signature in black ink, reading "Anthony J. Sculacci, M.D.", positioned above a horizontal line.

CHAIRMAN, COMMITTEE ON MRI ACCREDITATION

A handwritten signature in black ink, reading "Paul H. Ellenbogen, M.D.", positioned above a horizontal line.

PRESIDENT, AMERICAN COLLEGE OF RADIOLOGY

Exhibit F

December 23, 2015**2:46 pm**

CON
HISTORICAL DATA CHART
WILLIAMSON MEDICAL CENTER
FISCAL YEAR JUNE-JULY
MRI ONLY CHARGES

	FY 2013 3,755	FY 2014 4,102	FY 2015 4,522
A. <u>UTILIZATION DATA BY FISCAL YEAR</u>			
B. REVENUE FROM SERVICES TO PATIENTS			
1 INPATIENT SERVICES	\$996,611	\$791,358	\$1,223,910
2 OUTPATIENT SERVICES	8,892,550	8,788,945	9,621,011
3 EMERGENCY SERVICES	683,844	795,998	1,018,043
4 OTHER OPERATING REVENUE			
GROSS OPERATING REVENUE	\$10,573,005	\$10,376,301	\$11,862,964
C. DEDUCTIONS FROM GROSS OPERATING REVENUE			
1 CONTRACTUAL ADJUSTMENTS	6,845,626	6,894,973	8,392,682
2 PROVISION FOR CHARITY CARE	146,965	83,010	62,874
3 PROVISION FOR BAD DEBT	338,336	278,085	296,574
TOTAL DEDUCTIONS	7,330,927	7,256,068	8,752,130
NET OPERATING REVENUE	\$3,242,078	\$3,120,233	\$3,110,834
D. OPERATING EXPENSES			
1 SALARIES AND WAGES	264,532	269,729	283,818
2 PHYSICIANS SALARIES AND WAGES			
3 SUPPLIES	88,078	46,400	49,150
4 TAXES			
5 DEPRECIATION			
6 RENT			
7 INTEREST, OTHER THAN CAPITAL			
8 MANAGEMENT FEES			
A. FEES TO AFFILIATES			
B. FEES TO NON AFFILIATES			
9 OTHER EXPENSES	147,968	132,586	150,836
TOTAL OPERATING EXPENSES	\$500,578	\$448,715	\$483,804
E. OTHER REVENUE(EXPENSES)-NET			
NET OPERATING INCOME(LOSS)	\$2,741,500	\$2,671,518	\$2,627,030
F. CAPITAL EXPENDITURES			
1 RETIREMENT OF PRINCIPAL			
2 INTEREST			
TOTAL CAPITAL EXPENDITURES	0	0	0
NET OPERATING INCOME(LOSS)			
LESS CAPITAL EXPENDITURES	\$2,741,500	\$2,671,518	\$2,627,030

December 23, 2015

2:46 pm

<u>OTHER EXPENSES CATEGORIES</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1. PROFESSIONAL FEES			
2. UTILITIES			
3. PURCHASED SERVICES		1,560	1,200
4. REPAIR OF EQUIPMENT	145,334	130,944	144,509
5. INSURANCE			
6. BOOKS, DUES AND FEES			
7. ED AND TRAVEL			
8. EQUIP LEASES			
9. COLLECTION FEES			
10. ADVERTISING			
11. MINOR EQUIPMENT			
12. OTHER MISC	2,634	82	5,127
TOTAL OTHER EXPENSES	\$ 147,968	\$ 132,586	\$ 150,836

Exhibit H



Official Accreditation Report

Williamson County Hospital District
4321 Carothers Parkway
Franklin, TN 37067-8542

Organization Identification Number: 7830

Evidence of Standards Compliance (45 Day) Submitted: 12/3/2015

Executive Summary

Program(s)
Hospital Accreditation

Submit Date
12/3/2015

Hospital Accreditation :

As a result of the accreditation activity conducted on the above date(s), there were no Requirements for Improvement identified.

You will have follow-up in the area(s) indicated below:

- Measure of Success (MOS) – A follow-up Measure of Success will occur in four (4) months.

If you have any questions, please do not hesitate to contact your Account Executive.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.

Requirements for Improvement – Summary

Program	Standard	Level of Compliance
HAP	EC.02.02.01	Compliant
HAP	IC.02.01.01	Compliant
HAP	IC.02.02.01	Compliant
HAP	LS.01.01.01	Compliant
HAP	PC.02.01.03	Compliant
HAP	PC.03.01.03	Compliant
HAP	RC.02.01.01	Compliant
HAP	RC.02.01.03	Compliant

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The Joint Commission
Summary of CMS Findings

SUPPLEMENTAL #1

December 23, 2015

2:46 pm

CoP: §482.13 **Tag:** A-0115 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.13 Condition of Participation: Patient's Rights

A hospital must protect and promote each patient's rights.

CoP Standard	Tag	Corresponds to	Deficiency
§482.13(c)(2)	A-0144	HAP - IC.02.01.01/EP1	Compliant

CoP: §482.24 **Tag:** A-0431 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.24 Condition of Participation: Medical Record Services

The hospital must have a medical record service that has administrative responsibility for medical records. A medical record must be maintained for every individual evaluated or treated in the hospital.

CoP Standard	Tag	Corresponds to	Deficiency
§482.24(c)(4) (vi)	A-0467	HAP - RC.02.01.01/EP2	Compliant

CoP: §482.26 **Tag:** A-0528 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.26 Condition of Participation: Radiologic Services

The hospital must maintain, or have available, diagnostic radiologic services. If therapeutic services are also provided, they, as well as the diagnostic services, must meet professionally approved standards for safety and personnel qualifications.

CoP Standard	Tag	Corresponds to	Deficiency
§482.26(b)(1)	A-0536	HAP - EC.02.02.01/EP7	Compliant

CoP: §482.41 **Tag:** A-0700 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.41 Condition of Participation: Physical Environment

The hospital must be constructed, arranged, and maintained to ensure the safety of the patient, and to provide facilities for diagnosis and treatment and for special hospital services appropriate to the needs of the community.

CoP Standard	Tag	Corresponds to	Deficiency
§482.41(a)	A-0701	HAP - EC.02.02.01/EP5	Compliant

CoP: §482.42 **Tag:** A-0747 **Deficiency:** Compliant

Corresponds to: HAP

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The Joint Commission
Summary of CMS Findings

SUPPLEMENTAL #1

December 23, 2015

2:46 pm

Text: §482.42 Condition of Participation: Infection Control

The hospital must provide a sanitary environment to avoid sources and transmission of infections and communicable diseases. There must be an active program for the prevention, control, and investigation of infections and communicable diseases.

CoP Standard	Tag	Corresponds to	Deficiency
§482.42(a)	A-0748	HAP - IC.02.02.01/EP4	Compliant

CoP: §482.51 **Tag:** A-0940 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.51 Condition of Participation: Surgical Services

If the hospital provides surgical services, the services must be well organized and provided in accordance with acceptable standards of practice. If outpatient surgical services are offered the services must be consistent in quality with inpatient care in accordance with the complexity of services offered.

CoP Standard	Tag	Corresponds to	Deficiency
§482.51(b)	A-0951	HAP - IC.02.01.01/EP2, IC.02.02.01/EP2	Compliant
§482.51(b)(6)	A-0959	HAP - RC.02.01.03/EP7	Compliant

SUPPLEMENTAL
#2

December 29, 2015

VIA HAND DELIVERY

Jeff Grimm
HSDA Examiner
Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application Williamson Medical, CN1512-067
Acquisition of MRI Unit for Hospital's Outpatient Imaging Department

Dear Mr. Grimm:

Responses to the questions in your letter dated December 28, 2015, are below. Please let us know if you need additional information.

1. Section A, Applicant Profile, Item 1 and Item 6

Item 1 - Review of the 12/10/15 published LOI for the Certificate of Need application revealed that the address of the applicant's existing outpatient imaging center is 4601 Carothers Parkway in Franklin in lieu of the 4321 address in Item A. Please clarify. If in error, please revise and submit a replacement page labeled 1-R.

Item 6 - The deed in Attachment A.6 documenting the applicant's ownership of the 5.7 acre property that the existing outpatient imaging center is located on is noted. However, no address appears to be included in the documentation provided. Please confirm the address of the property.

Based on clarification of the outpatient imaging center's address it appears this is a different facility from the provider based outpatient imaging center at 3001 Carothers Parkway approved in Williamson Medical Center, CN0706-051A. Please clarify. If no longer in operation, please discuss developments leading to use of the hospital's outpatient imaging center in this project.

Jeff Grimm
December 29, 2015
Page 2

The responses are noted. Additional clarification pertaining to the address of the proposed additional MRI unit would be appreciated since all Certificate of Need projects must be site-specific. Please revise the address for Item A to reflect 4601 Carothers Lane in Franklin and submit a replacement page labeled 1-R.

Response: Attached as Exhibit A is a revised page 1-R, with the address of the outpatient imaging center at 4601 Carothers Parkway.

2. Section B, Project Description, Item II (Executive Summary of the Project)

HSDA Equipment Registry records reflect the applicant has one (1) existing registered 1.5 Tesla MRI unit. However, review of HSDA approved certificate of need projects show approval for 2 MRI units - the fixed MRI unit in CN9110-065A and the additional 1.5 Tesla MRI unit in CN0104-022A located in a small modular building next to the hospital imaging department. Based on the applicant's CON history for MRI, please provide a brief description that offers some background about the changes leading to the hospital's use of only 1 MRI unit. In your response, please also clarify why the modular building MRI in CN0104-022A has not been voluntarily surrendered and returned to HSDA.

The response appears to have omitted discussion of CN0104-022A approved at the August 22, 2001 meeting of the former Health facilities Commission. The approved Certificate of Need that was issued to the hospital on 9/26/2001 reads as follows:

"This Certificate of Need is issued for the acquisition of an additional MRI unit for the performance of inpatient and outpatient diagnostic imaging procedures. The new MRI unit will be a 1.5T wide-bore system housed in an approximate 840 square foot modular building adjacent to the imaging department."

Please expand the response to address those factors that impacted the hospital's decision not to acquire an additional or 2nd MRI unit as approved in CN0104-022A and voluntarily surrender the unimplemented Certificate of Need. In addition, in light of the proposed acquisition of a 2nd MRI unit in this application, CN1512-067, please confirm the hospital's willingness to surrender unimplemented CN0104-022A, if necessary.

Response: WMC regrets any confusion its initial response may have caused. WMC has researched its records and interviewed individuals who have historical knowledge. Based on this information, WMC has determined that CN9110-065A was implemented for the purpose of replacing a former mobile MRI with a fixed unit. WMC has also determined that CN0104-022A, which involved acquisition of an additional MRI to be located in a modular building, was in fact implemented. However, the older MRI authorized under CN9110-065A was taken out of service after the new MRI was acquired under CN0104-022A. The modular building MRI (CN0104-022A) was moved into the main hospital building in 2007, and that unit is the sole MRI unit currently operated by WMC.

WMC has not been able to determine with certainty why the older MRI authorized under CN9110-065A was taken out of service, but two outpatient diagnostic centers with MRI were approved for Williamson County in 2001 (Williamson Imaging, LLC, CN0101-005; and Bioimaging of Cool Springs, CN0101-008). WMC's research reveals that its MRI volumes went down after the addition of these facilities to the market. The diminished MRI volumes at WMC likely lead it to conclude that it was not necessary or financially feasible to operate two MRIs, so the older unit was taken out of service.

While WMC has not been able to determine with absolute certainty the circumstances surrounding the decision to take the older MRI out of service, WMC is certain that (1) it has never actually operated 2 MRIs simultaneously and (2) the sole MRI it currently operates is the unit authorized under CN0104-022A. WMC confirms its understanding that any right it may have had to operate an MRI under CN9110-065A no longer exists. WMC is willing to execute any additional documentation the Agency may require to establish that CN9110-065A is void and confers no rights on WMC.

3. Section C, Economic Feasibility, Item 4. (Historical and Projected Data Charts)

Projected Data Chart - Expenses for professional fees for MRI interpretation services by radiologists appear to be missing from the amounts shown in the detail shown on page 25 for Line D.9 of the chart (Other Expenses). Please explain.

If in error, please revise the Projected Data Chart and submit in a replacement page labeled as 25-R. Note: even if there are no projected costs for Management Fees, note as "None" in the revised Projected Data Chart.

The revised Projected Data Chart is noted. Please complete the table below showing the combined utilization and financial performance for the MRI service as a whole with 2 fixed units in operation beginning in 2017.

Financial Measure	MRI Service Year 1 2017	MRI Service Year 2 2018
# MRI Units	2	2
MRI Procedures	4,836	4,993
Gross Operating Revenue	\$12,686,708	\$13,458,824
Average Gross Charge	\$2,623	\$2,728
Net Operating Revenue	\$3,418,298	\$3,491,748
Operating Expenses	\$973,301	\$985,304
Net Operating Income	\$2,444,996	\$2,506,444
NOI as a % of Gross Operating Revenue	19%	23%

Response: *The above chart has been completed as requested.*

4. Section C, Economic Feasibility, Item 9

Please show the percentages by payor mix for the hospital's MRI service in 2015 and Year 1 of the project by completing the table below.

The table in the response provides the payor mix based on the gross operating revenues of the proposed additional MRI unit. Please complete the table below to illustrate the payor mix for the MRI service as a whole based on the combined projected gross operating revenues of the hospital's existing MRI unit and the additional MRI unit proposed in the application for the outpatient imaging center at 4601 Carothers Lane in Franklin.

Applicant's MRI Service Payor Mix, Year 1

Payor Source	Gross Revenue Year 1	as a % of total Gross Revenue Year 1	Average Gross Charge per MRI procedure Year 1
Medicare	\$5,201,550	41%	\$2,522
TennCare	\$329,854	3%	\$2,532
Managed care	\$2,182,114	17%	\$2,528
Commercial	\$4,529,155	36%	\$2,641
Self-Pay	\$253,724	2%	\$2,657
Other	\$190,301	2%	\$2,560
Total	\$12,686,708	100%	

Response: *The above chart has been completed as requested.*

Very truly yours,

BUTLER SNOW LLP



Dan H. Elrod

clw
Attachment

Exhibit A

December 29, 2015

10:42 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DavidsonNAME OF FACILITY: Williams Medical Center

I, Dan Elrod, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

[Signature]
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 29th day of Dec., 2015,
witness my hand at office in the County of Davidson, State of Tennessee.

Lorine Foster
NOTARY PUBLIC

My commission expires Sept. 10, 2018.

HF-0043

Revised 7/02



BUTLER | SNOW

December 10, 2015

VIA HAND DELIVERY

Melanie M. Hill
Executive Director
Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Williamson Medical Center – Certificate of Need Application for Magnetic
Resonance Imaging

Dear Ms. Hill:

Enclosed, in triplicate, is the Letter of Intent submitted for the project referenced above.

Thank you for your attention to this matter.

Very truly yours,

BUTLER SNOW LLP



Dan H. Elrod

clw
Enclosures

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BUTLER SNOW LLP



**State of Tennessee
Health Services and Development Agency**

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243
www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the Tennessean which is a newspaper
(Name of Newspaper)
of general circulation in Davidson County, Tennessee, on or before December 10, 20 15,
(County) (Month / day) (Year)
for one day.

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This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Williamson Medical Center, a hospital
(Name of Applicant) (Facility Type-Existing)

owned by: Williamson County, Tennessee with an ownership type of governmental through the Williamson County Hospital District, intends to file an application for a Certificate of Need to initiate magnetic resonance imaging services at its existing outpatient imaging center located at 4601 Carothers Parkway, Suite 150, Franklin, Tennessee. The outpatient imaging center is licensed and operated as a department of Williamson Medical Center. The total project cost, including renovations to accommodate magnetic resonance imaging equipment, is estimated to be \$2,401,468. The project does not involve the addition of beds or the initiation of any other service for which a certificate of need is required

The anticipated date of filing the application is: December 15, 20 15

The contact person for this project is Dan Elrod Attorney
(Contact Name) (Title)

who may be reached at: Butler Snow LLP 150 3rd Avenue South, Suite 1600
(Company Name) (Address)
Nashville TN 37201 615 / 651-6702
(City) (State) (Zip Code) (Area Code / Phone Number)

[Signature] 12/10/15 dan.elrod@butlersnow.com
(Signature) (Date) (E-mail Address)

=====

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

**Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243**

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The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954**

DATE: February 29th, 2016

APPLICANT: Williamson Medical Center
4601 Carruthers Parkway, Suite 150
Franklin, Tennessee 37067

CN1512-067

CONTACT PERSON: Dan Elrod
Butler Snow LLP
150 3rd Avenue South, Suite 1600
Nashville, TN 37201

COST: \$2,401,468

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Williamson Medical Center (WMC), located at 4321 Carothers Parkway, Franklin, TN (Williamson County), seeks Certificate of Need approval to operate a secondary Magnetic Resonance Imaging unit at its outpatient imaging center, Williamson Medical Center Outpatient Imaging, located approximately 1450 feet from the main hospital campus. WMC is a 185 bed hospital owned by Williamson County. The imaging center is licensed and operated as a department of Williamson Medical Center. With approval of this CON application, WMC will purchase a second MRI unit to be installed and operated at the outpatient facility at 4601 Caruthers Parkway, Franklin, TN. The imaging center provides ultrasound, cat scan, mammography, bone density, radiography, EKG and stereotactic services.

Reviewing the HSDA approved CON projects shows the applicant was approved to replace a mobile MRI unit through CN9110-065A. This CON was implemented and a fixed unit was acquired and operated as the sole unit at WMC. It was also determined that another CON, CN0104-022A, was approved and implemented to add a second MRI unit. However the applicant states that due to the addition of two new imaging centers in the area and WMCs decreased MRI volumes, the older unit under CON CN9110-065A was taken out of service once the second MRI was acquired. Subsequently, only a single MRI unit has ever been operated by the applicant. The applicant states they are willing to relinquish any rights to CON CN9110-065A.

The total cost of the project is \$2,401,468 and will be funded through cash reserves as noted in a letter from the CFO of WMC attached to the application as Attachment C. Financial Feasibility2. Adding the unit will require a build out of 1388 square feet of previously unfinished interior shell space within the imaging facility for the MRI exam room, control room, equipment storage, office area and a room for future use, with a construction cost of \$409,554, and \$295 per square foot. No other major renovations will be necessary for this project.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:

The applicant's primary service area will be Williamson and Maury counties, stating that approximately 67% of MRI patients at WMC reside in Williamson or Maury County.

County	2016 Population	2020 Population	% of Increase/ (Decrease)
Maury	88,337	92,944	5.2%
Williamson	215,859	234,832	8.8%
Total	304,196	327,776	7.8%

Tennessee Population Projections 2000-2020, 2015 Revised UTCBER, Tennessee Department of Health

The applicant proposes to purchase a second stationary, non-dedicated MRI unit in their off campus outpatient imaging department located a short distance from the main hospital campus. The applicant currently performs MRI exams at the main hospital campus using one existing MRI unit. The applicant states this unit is highly utilized by outpatients, inpatients, and emergency room patients and has provided over 4000 exams for each of the past three years. These volumes are significantly higher than the 80% of capacity, or 2880 exams per year, established in the MRI Certificate of Need Standards. The single MRI unit operated at the main campus is routinely back-logged for two or more days, making scheduling outpatients and add-on patients difficult. Additionally, emergency room and inpatients take priority which leads to outpatients often being "bumped" to another time in order to scan more acute patients.

The decision to place the second unit at the outpatient imaging center was made for several reasons:

- First, to enable WMC to provide its patients improved access to MRI services. The increased capacity will allow for much more access and shorter scheduling of MRI exams. Also, the outpatient center is conveniently located and easier for patients to navigate than having to enter the main hospital campus.
- Locating the second MRI at the imaging center will provide easier access to patients from the Breast Health Center which is adjacent to the imaging center. This unit will also be used to perform MRI-guided breast biopsies as requested by physicians.
- The second unit will be used to schedule outpatient exams, which will not only make scheduling outpatients easier, but will also free up more scanning time for the more acute inpatients and emergency room patients at the scanner in the main hospital. Currently, outpatients are routinely "bumped" from their scheduled appointment time in order to accommodate more urgent studies from the emergency room and for inpatients.

The MRI unit WMC is proposing to purchase will cost a total of \$1,867,523, including a five year maintenance agreement. The unit is a GE Optima MR450w 1.5 tesla capable of clinical applications including head, neck, spine, breast, breast biopsies, abdomen, pelvis, joint, vascular, and musculoskeletal regions of the body.

MRI Utilization 2014 for service area

Facility	Fixed or mobile	Number of units	Total Procedures
Maury Reg. Medical Center	Fixed	3	6606
Mid TN Bone and Joint	Fixed	1	2259
Spring Hill Imaging Center	Fixed	1	2640
Cool Springs Imaging	Fixed	1	4918
Premier Radiology C.S.	Fixed	2	3094
Vanderbilt Bone and Joint	Fixed	1	1877
Williamson Medical Center	Fixed	1	4119
Totals		10	25513
Average per unit			2551

There are ten MRI units in the two county service area performing an average of 2551 procedures per unit. This is below the MRI standard of 80% capacity(3600) or 2880 procedures per unit.

TENNCARE/MEDICARE ACCESS:

WMC participates in the Medicare and Medicaid programs. The applicant has MCO contracts with BlueCare, TennCare Select, United HealthCare, and Amerigroup.

Medicare represents 41% of total projected MRI gross revenues, or \$5,201,550 and Medicaid represents 3% of total gross MRI revenues or \$329,854.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

This project will be funded by cash reserves as indicated by a letter from the CFO of Williamson Medical Center as Attachment C Economic Feasibility 2.

Project Costs Chart: The Project Costs Chart is located on page 21 of the application stating a total project cost of \$2,401,468.

Historical Data Chart: The Historical Data Chart is located in Supplemental #1 and indicates for MRI only volumes, 3,755 scans, 4,102 scans, and 4522 scans for years 2013, 2014 and 2015 respectively. The chart shows net revenues of \$2,741,500, \$2,671,518, and \$2,627,030 for the same years.

Projected Data Chart: The Projected Data Chart is located in Supplemental #1, 24-R.

The applicant projects to perform the following on the secondary/outpatient MRI unit:

Year	Hospital unit	Outpatient unit	Total Procedures	Net Income (loss)
Year one 2017	2511	2325	4836	\$1,161,968
Year two 2018	2483	2450	4933	\$1,097,469

MRI standard of 80% capacity(3600) or 2880 procedures per unit

Net revenue decreases from year one to year two due to the startup of the service contract expense of \$148,251 in year two.

The average gross charge for MRI exams at WMC in 2017 is projected to be \$2,623, the average deduction will be \$1,916, and the average net reimbursement will be \$707.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The outpatient imaging facility is located 1450 feet from the main hospital campus, both of which are easily accessed from Interstate 65 and Highway 96. The Franklin Transit Authority provides public bus service to the hospital and outpatient facility multiple times daily.

The applicant believes this project will have a positive impact on the healthcare system. The need for MRI services is increasing and the main campus unit continues to struggle balancing outpatient exams times with the urgent needs of inpatients and ER patients. The secondary outpatient unit will provide more scanning times for these more acute patients. Locating a second unit in the outpatient imaging center will also be beneficial for the convenience of patients by not having to navigate entering the main hospital campus, as well as better access for patients of the Breast Health Center as requested by physicians of that practice. Also, the second scanner will provide more access to non-routine exams that take more extensive scanning times, such as biopsies and sedation scanning.

The MRI exam interpretation will be performed by Advanced Diagnostic Imaging, PC., as outlined in the contract attached in Supplemental #1, Radiology Department Services Agreement.

The addition of a second MRI unit will add two FTE MRI technologist positions. The imaging center currently staffs one or more radiologists on site. The addition of the MRI unit will not require additional radiologist staff.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

Magnetic Resonance Imaging Standards and Criteria

1. Utilization Standards for non-Specialty MRI Units.

- a. An applicant proposing a new non-Specialty stationary MRI unit should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2800 procedures per year by the third year of service and for every year thereafter.

The applicant projects to perform the following on the secondary/outpatient MRI unit:

Year	Hospital unit	Outpatient unit	Total Procedures	Net Income (loss)
<i>Year one 2017</i>	<i>2511</i>	<i>2325</i>	<i>4836</i>	<i>\$1,161,968</i>
<i>Year two 2018</i>	<i>2483</i>	<i>2450</i>	<i>4933</i>	<i>\$1,097,469</i>

MRI standard of 80% capacity(3600) or 2880 procedures per unit

- b. Providers proposing a new non-Specialty mobile MRI unit should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

Criteria not applicable.

- c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

Criteria not applicable.

- d. Mobile MRI units shall not be subject to the need standard in paragraph 1b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's geographical area are not adequate and/or that there are special circumstances that require these additional services.

Criteria not applicable.

- 2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the service area's population. Applications that include non-Tennessee counties in their proposed service areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

The applicant states that approximately 67% of MRI patients at WMC reside in either Williamson or Maury counties, with the remainder of MRI patients originating in multiple other Tennessee counties.

- 3. Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

The applicant believes that due to the increasing MRI volumes on the single MRI unit at the main hospital campus, there are no better alternatives to adding a secondary MRI unit. The hours of operation for MRI at the main campus are 5:30 am – 10:30pm, Monday through Friday, and on-call hours Saturday and Sunday. The applicant states that only a very few patients would be willing to be scheduled at further expanded hours, which would not significantly reduce the back log. The MRI scanner proposed for purchase is a 1.5 tesla unit which is the industry standard of care.

- 4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve-month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 6 days per week x 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

MRI Utilization 2014 for service area

<i>Facility</i>	<i>Fixed or mobile</i>	<i>Number of units</i>	<i>Total Procedures</i>
<i>Maury Reg. Medical Center</i>	<i>Fixed</i>	<i>3</i>	<i>6606</i>
<i>Mid TN Bone and Joint</i>	<i>Fixed</i>	<i>1</i>	<i>2259</i>
<i>Spring Hill Imaging Center</i>	<i>Fixed</i>	<i>1</i>	<i>2640</i>
<i>Cool Springs Imaging</i>	<i>Fixed</i>	<i>1</i>	<i>4918</i>
<i>Premier Radiology C.S.</i>	<i>Fixed</i>	<i>2</i>	<i>3094</i>
<i>Vanderbilt Bone and Joint</i>	<i>Fixed</i>	<i>1</i>	<i>1877</i>
<i>Williamson Medical Center</i>	<i>Fixed</i>	<i>1</i>	<i>4119</i>
<i>Totals</i>		<i>10</i>	<i>25513</i>
<i>Average per unit</i>			<i>2551</i>

There are ten MRI units in the two county service area performing an average of 2551 procedures per unit. This is below the MRI standard of 80% capacity(3600) or 2880 procedures per unit.

5. Need Standards for Specialty MRI Units.

All criteria for Standard #5 not applicable.

- a. Dedicated fixed or mobile Breast MRI Unit. An applicant proposing to acquire a dedicated fixed or mobile breast MRI unit shall demonstrate that annual utilization of the proposed MRI unit in the third year of operation is projected to be at least 1,600 MRI procedures (.80 times the total capacity of 1 procedure per hour times 40 hours per week times 50 weeks per year), and that:
 1. It has an existing and ongoing working relationship with a breast-imaging radiologist or radiology proactive group that has experience interpreting breast images provided by mammography, ultrasound, and MRI unit equipment, and that is trained to interpret images produced by an MRI unit configured exclusively for mammographic studies;
 2. Its existing mammography equipment, breast ultrasound equipment, and the proposed dedicated breast MRI unit is in compliance with the federal Mammography Quality Standards Act;
 3. It is part of an existing healthcare system that provides comprehensive cancer care, including radiation oncology, medical oncology, surgical oncology and an established breast cancer treatment program that is based in the proposed service area.
 4. It has an existing relationship with an established collaborative team for the treatment of breast cancer that includes radiologists, pathologists, radiation oncologists, hematologist/oncologists, surgeons, obstetricians/gynecologists, and primary care providers.

- b. Dedicated fixed or mobile Extremity MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Extremity MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity.
 - c. Dedicated fixed or mobile Multi-position MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Multi-position MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity.
6. Separate Inventories for Specialty MRI Units and non-Specialty MRI Units. Breast, Extremity, and Multi-position MRI Units shall not be counted in the inventory of non-Specialty fixed or mobile MRI Units, and an inventory for each category of Specialty MRI Unit shall be counted and maintained separately. None of the Specialty MRI Units may be replaced with non-Specialty MRI fixed or mobile MRI Units and a Certificate of Need granted for any of these Specialty MRI Units shall have included on its face a statement to that effect. A non-Specialty fixed or mobile MRI Unit for which a CON is granted for Specialty MRI Unit purpose use-only shall be counted in the specific Specialty MRI Unit inventory and shall also have stated on the face of its Certificate of Need that it may not be used for non-Specialty MRI purposes.

Criteria not applicable.

7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.
- a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

The FDA approval letter is located as Attachment B.II.E.1

- b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The applicant provides a letter from HMK Architects confirming that all federal, state and local requirements will be followed during this project.

- c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

Applicant states WMC has protocols in place to address emergencies at the outpatient center. No other documentation was included.

- d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant responded that WMC does not refer patients for MRI services. Patients are referred by physicians who have made independent determinations of the medical necessity.

- e. An applicant proposing to acquire any MRI Unit, including Dedicated Breast and Extremity MRI Units, shall demonstrate that:
- f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

Williamson Medical Center is currently accredited by the American College of Radiology for MRI services with the expiration date of March 13, 2018. The certificate is located in Supplemental #1.

Williamson Medical Center is Joint Commission accredited. A copy of the most recent accreditation is attached as Exhibit H, showing a survey date of October 2015.

A copy of the DOH Licensure survey indicates there were no deficiencies cited on June 3, 2010.

- g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.
- 8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

The applicant agrees to supply all required data as described.

- 9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

Criteria not applicable.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

Criteria not applicable.

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program.

WMC participates in the Medicare and Medicaid programs. The applicant has MCO contracts with BlueCare, TennCare Select, United HealthCare, and Amerigroup.

